SaskPower

Delivering on a Promise

At the flick of a switch – the energy of more than 2,300 women and men provides the electricity to power a province's story. In 2003, SaskPower reaffirmed its central strategic focus – and commitment to more than 436,000 customers – by adopting a new mission statement: "We deliver power in a safe, reliable, cost-effective and environmentally responsible manner."

From Black Lake to Bienfait, from Macklin to Moosomin, SaskPower and its employees are continually tackling the challenge of ensuring electricity is there when it's needed, while strengthening the Corporation's place as an industry leader.

SaskPower is committed to maintaining the reliability of the electric system and is carefully managing expenditures to ensure a fair rate structure. In 2003, in the face of fuel and purchased power cost pressures, SaskPower remained on solid financial footing while posting a net income of $187 million and a dividend to the Crown Investments Corporation of Saskatchewan of $169 million.

About us: SaskPower operates three coal-fired power stations, seven hydroelectric stations, four natural gas stations and one wind facility with an aggregate generating capacity of over 3,050 megawatts (MW). The Corporation also has purchase agreements with the Meridian Cogeneration Station, Cory Cogeneration Station and SunBridge Wind Power Project. Total available capacity is approximately 3,500 MW. SaskPower maintains more than 152,000 kilometres of power lines, the most extensive network in Western Canada.

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Responding to Customers

- The introduction of the new green power portfolio committed to further exploration and development in wind, small-scale environmentally preferred power and customer-oriented energy conservation. The Corporation's development arm, SaskPower International, entered a partnership with ATCO Power to expand the Corporation's wind generating capacity 10-fold through the addition of 150 megawatts (MW) over a three-year period.
- Alliances were initiated with companies on projects utilizing byproducts – such as wood residue and hog manure – to produce electricity.
- The 228-MW Cory Cogeneration Station – another joint venture between SaskPower International and ATCO Power – was added to the Corporation's portfolio.
- SaskPower's Cypress Wind Power Facility was expanded to 11 MW through the addition of seven towers and turbines.
- A 10-year $343-million program of improvements was completed at SaskPower's largest coal-fired facility, Boundary Dam Power Station. In 2003, environmental, operational and financial benefits were realized through a rebuild of 300-MW Unit #6.
- At Nipawin Hydroelectric Station, a $7.5-million rebuild of 85-MW Unit #1 was completed, part of a three-year $23-million overhaul of three turbines and generators.
- Powerline improvements and reinforcements continued province-wide. Service to northern customers was significantly enhanced through the completion of the PA8 line between Prince Albert and Timber Cove.
- Customer service was enhanced through heightened efforts to protect privacy and expanded on-line services. Inquiries received on saskpower.com have increased over 80% since 2000, with 42% of visitors to the Corporation's web site accessing services and information after business hours.

Responding to the Community

- SaskPower updated the heart of its environmental management system, the corporate Environment Policy. In 2003, independent audits verified SaskPower's compliance with the rigorous ISO 14001 standard and registration was confirmed.
- Energy conservation remained a priority as a pilot project to retrofit community facilities was launched. Meanwhile, SaskPower continued working with provincial government, municipal, school and commercial facilities to upgrade heating, cooling, lighting and ventilation systems. The Energy Performance Contracting service is helping to lower greenhouse emissions, while resulting savings from reduced energy use are used to pay the capital costs of improvements.
- SaskPower supported community organizations and activities, with educational and environmental initiatives a key focus. Partners included the Saskatchewan Environmental Society and Saskatchewan Safety Council.
- Development and implementation of SaskPower's corporate-wide Safety Management System will assist in the protection of customers and employees.
- SaskPower supported local economic development by maximizing purchases from Saskatchewan suppliers and contributing more than $600 million to the province's economy. In 2003, the Corporation sourced almost 80% of purchases of goods and services from within Saskatchewan.
- The Corporation continued to focus on the attraction and retention of a skilled workforce. New recruitment outreach programs have a strong diversity focus, and SaskPower is identifying barriers to the recruitment and retention of individuals from four identified equity groups – Aboriginal people, people with disabilities, visible minorities and women in under-represented roles.
- SaskPower's Shand Greenhouse distributed over 466,000 tree and shrub seedlings and organized tours, planting events and school activities, reaching over 3,000 students from more than 140 schools.

Five-Year Operating Summary

	2003	2002	2001	2000	1999
Number of Saskatchewan electric customers:					
Residential	**305,685**	303,317	301,165	300,250	297,072
Farm	**66,868**	67,317	67,551	67,821	68,096
Commercial	**52,656**	52,500	52,358	52,498	52,232
Oilfields	**11,180**	11,026	10,915	10,716	10,553
Power customers	**87**	72	70	70	69
Reseller	**2**	2	2	2	2
	436,478	434,234	432,061	431,357	428,024
Total electric sales (GW.h)					
Residential	**2,509**	2,457	2,386	2,344	2,317
Farm	**1,442**	1,367	1,386	1,305	1,293
Commercial	**3,151**	3,461	3,457	3,413	3,274
Oilfields	**2,083**	1,728	1,640	1,514	1,300
Power customers	**6,278**	5,722	5,839	6,090	6,044
Reseller	**1,287**	1,263	1,246	1,240	1,195
Saskatchewan electric sales	**16,749**	15,998	15,954	15,906	15,423
Exports	**1,761**	777	945	1,143	802
	18,510	16,775	16,899	17,049	16,225
Net electrical energy supplied (GW.h)					
Coal	**11,730**	11,670	11,711	11,436	11,551
Gas	**1,066**	989	798	924	995
Hydro	**3,416**	2,836	2,391	3,046	3,660
Wind	**20**	4	–	–	–
Imports and other	**1,142**	1,431	2,127	1,995	1,484
Purchased power	**2,952**	1,769	1,691	1,691	146
Gross electrical energy supplied	**20,326**	18,699	18,718	19,092	17,836
Losses and internal use	**(1,816)**	(1,924)	(1,819)	(2,043)	(1,611)
Net electrical energy supplied	**18,510**	16,775	16,899	17,049	16,225
Generating capacity (net MW)					
Coal	**1,653**	1,653	1,653	1,658	1,658
Gas	**539**	539	374	378	378
Hydro	**853**	853	853	853	853
Wind	**11**	6	–	–	–
Purchased power	**449**	221	221	221	221
	3,505	3,272	3,101	3,110	3,110
Number of permanent full-time employees	**2,376**	2,350	2,286	2,192	2,120
Transmission lines (km)	**12,104**	12,026	12,290	12,388	12,335
Distribution lines (km)	**140,733**	140,084	139,460	138,859	138,321
	152,837	152,110	151,750	151,247	150,656
Average annual usage per residential customer (kW.h)	**8,208**	8,100	7,923	7,807	7,799
Annual peak load (net MW)	**2,805**	2,800	2,691	2,822	2,709
Minimum load (net MW)	**1,501**	1,413	1,456	1,379	1,260
Summer peak load (net MW)	**2,666**	2,569	2,515	2,440	2,461

Five-Year Financial Summary

(in millions)

	2003	2002	2001	2000	1999
Net income:					
Revenue					
Saskatchewan	**$1,104**	$1,058	$ 994	$ 952	$ 915
Export	**113**	43	109	128	42
Other	**26**	23	23	21	20
Total revenue	**1,243**	1,124	1,126	1,101	977
Expense					
Fuel and purchased power	**502**	366	468	384	251
Operating, maintenance and administration	**301**	286	254	264	281
Depreciation	**186**	167	158	153	139
Finance charges	**152**	147	138	129	147
Taxes	**29**	27	26	24	24
Total expense	**1,170**	993	1,044	954	842
Income before foreign exchange gains (losses) and equity investment income	**73**	131	82	147	135
Foreign exchange gains (losses)	**113**	6	(43)	(27)	52
Equity investment income	**1**	–	–	–	–
Net income	**$ 187**	$ 137	$ 39	$ 120	$ 187
Property, plant and equipment:					
Property, plant and equipment	**$5,555**	$5,171	$4,849	$4,688	$4,547
Less: accumulated depreciation	**2,356**	2,196	2,043	1,901	1,761
	3,199	2,975	2,806	2,787	2,786
Construction in progress	**61**	215	268	97	47
	$3,260	$3,190	$3,074	$2,884	$2,833
Capital expenditures	**$ 267**	$ 305	$ 364	$ 210	$ 185
Debt at December 31:					
Recourse debt	**$1,794**	$1,910	$1,918	$1,661	$1,680
Non-recourse debt	**97**	97	91	–	–
Gross long-term debt	**1,891**	2,007	2,009	1,661	1,680
Less: Sinking fund balances	**(120)**	(121)	(98)	(77)	(137)
Long-term debt, net of sinking funds	**1,771**	1,886	1,911	1,584	1,543
Long-term debt due within one year	**(60)**	(153)	–	–	(55)
Sinking funds installments due within one year	**(15)**	(15)	(15)	(10)	(9)
Long-term debt	**$1,696**	$1,718	$1,896	$1,574	$1,479
Total equity	**$1,383**	$1,365	$1,310	$1,287	$1,236
Cash flows:					
Cash provided by operating activities	**$ 200**	$ 262	$ 245	$ 266	$ 265
Cash used in investing activities	**(255)**	(290)	(361)	(200)	(173)
Cash (used in) provided by financing activities	**(34)**	(82)	251	(43)	(71)
(Decrease) increase in cash position	**$ (89)**	$ (110)	$ 135	$ 23	$ 21

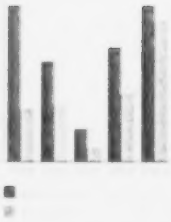
Financial and Operating Highlights

2003 Revenue

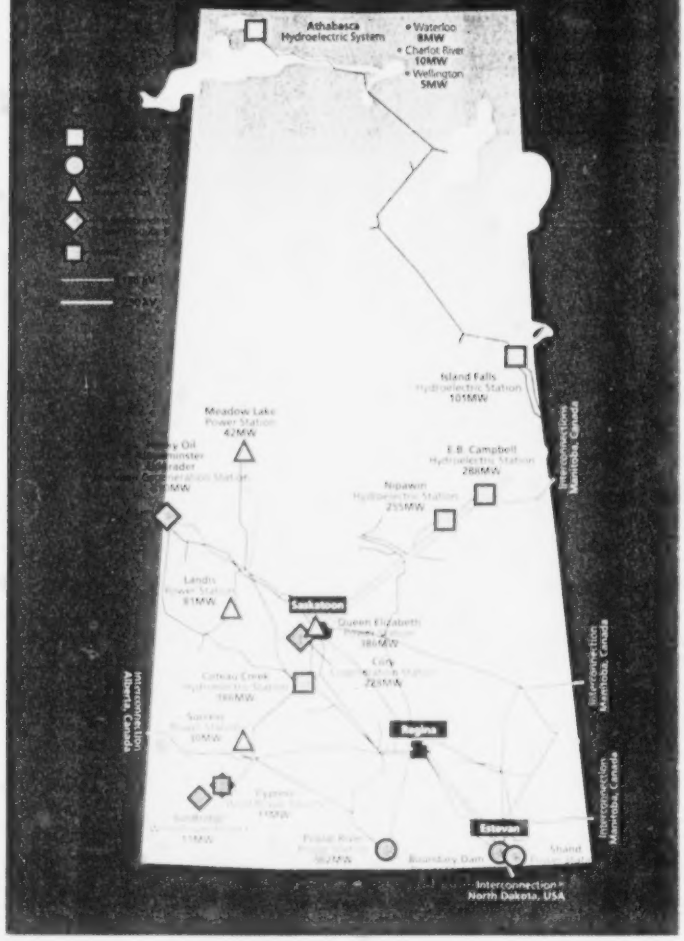
2003 Expense

2003 Generation Capacity

Net Income and Dividends



SASKPOWER GENERATION AND HIGH VOLTAGE TRANSMISSION MAP
(As at December 31, 2003)



Financial and Operating Highlights

SaskPower remained on a course designed to secure future operational requirements, maximize efficiencies, effectively manage risk and maintain a strong balance sheet – all in support of its mission to deliver power in a safe, reliable, cost-effective and environmentally responsible manner.

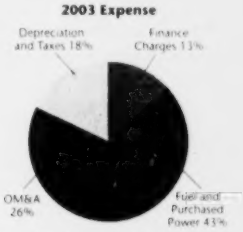
Although sales increased in 2003, escalating costs – particularly in fuel and purchased power – continued to put pressure on the Corporation's bottom line. These pressures were masked by the foreign exchange gains recorded on the translation of U.S. dollar denominated debt into Canadian dollars.

2003 Revenue

Total Revenue: $1,243 million

Saskatchewan electric sales make up the majority of SaskPower's revenue.

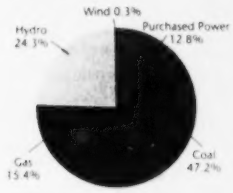
2003 Expense



Total Expense: $1,170 million

Fuel and purchased power is the largest component of SaskPower's expense.

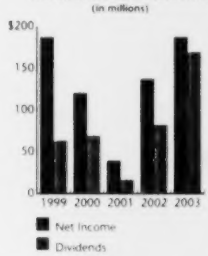
2003 Generation Capacity
(Net MW)



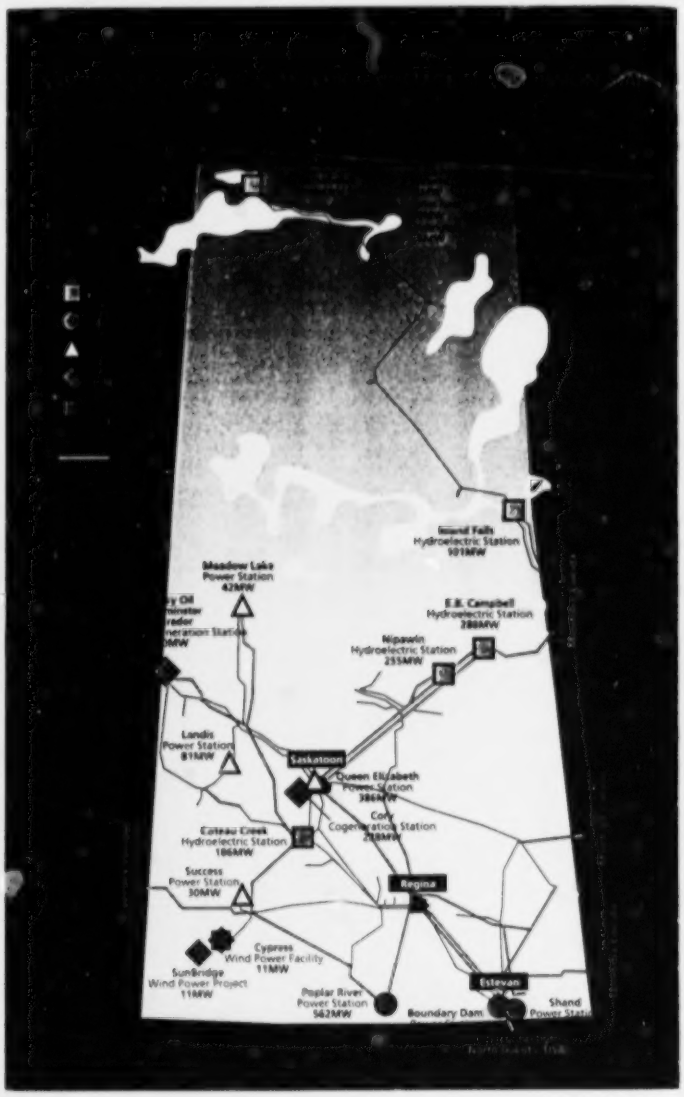
Total Generation Capacity: 3,505 MW

Coal-fired stations provide the bulk of SaskPower's generation capacity.

Net Income and Dividends
(in millions)



Over the last five years, SaskPower has declared $399 million in dividends payable to the Crown Investments Corporation.



SaskPower

We deliver power in a safe, reliable, cost-effective and environmentally responsible manner.

Bringing Light into Our Lives.

At the flick of a switch – the energy of more than 7,000 women and men provides the electricity to power appliances and, together, we can look forward to many exciting challenges ahead.

Vision: Excelling in competitive energy markets

Mission: We deliver power in a safe, reliable, cost-effective and environmentally responsible manner

Values: We are committed to respect, integrity and openness in all we do.

2003 AT A GLANCE

TIME TO PERFORM – FOR SASKPOWER, 2003 REPRESE
TO EMERGING CUSTOMER NEEDS AND A CHANGIN
EXTENSIVE INFRASTRUCTURE AND DIVERSE SUPP
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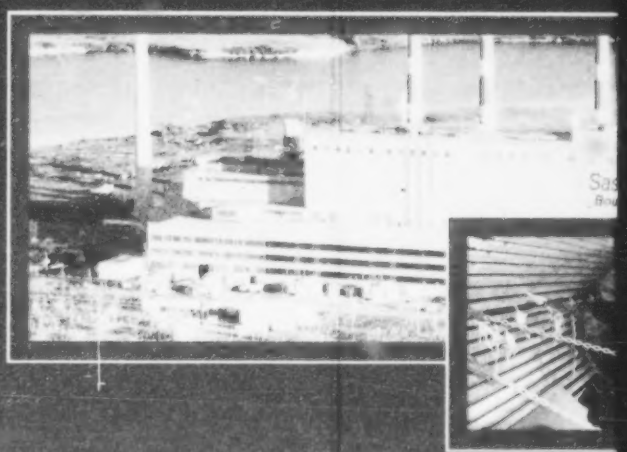
Cory Cogeneration Station/MRM Cogeneration Station commercial operations (January)
The Cory Cogeneration Station near Saskatoon (pictured) and the MRM Cogeneration Station north of Fort McMurray, Alberta, commenced commercial operations. Both are partnerships between SaskPower International and ATCO Power. The steam from the Cory Station is being delivered to the PCS Potash Cory Division for mining operation processes.

Distributed generation projects
A wood gasification demonstration project at the Zelensky Brothers saw mill in La Ronge, and a biogas demonstration project in partnership with Clear Green Environmental at the Cudworth Pork Investors Group hog facility began in 2003. Also, a feasibility study was launched to determine if methane gas produced at the Spadina Landfill in Saskatoon (pictured) could be used to generate electricity.



Boundary Dam Unit
An $80-million rebuild added at least 20 years #6. Over the last 10 ye invested in this facility

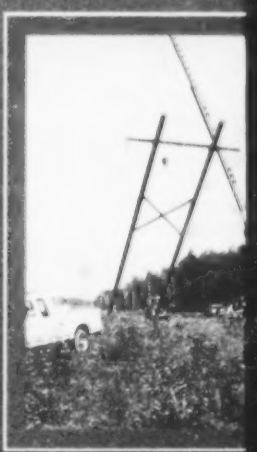
Science Centre donation (January)
SaskPower makes an annual donation to the Saskatchewan Science Centre in support of a corporate commitment to science and environmental education.

Power of Business Awards (February)
SaskPower presented three Power of Business Awards in 2003 – to Quality Steel, Thompson-Jansson, and Ultimate Powerline Contracting. SaskPower averages over 75% of its purchases from local firms and over the last 20 years has purchased $4 billion in goods and services from Saskatchewan suppliers.

Shand Greenhouse seedlings distributed (May)
Each spring, customers and community groups are offered free seedlings grown at the SaskPower Shand Greenhouse. Since 1991, the Greenhouse – located adjacent to the Shand Power Station near Estevan – has distributed more than 3.5 million tree and shrub seedlings to those, interested in preserving and enhancing Saskatchewan's natural landscape.

Donation to Chaplin Nature Centre (June) *A major capital donation was made to the Chaplin Nature Centre to fund the purchase and installation of video camera equipment – to provide an Internet feed – and solar panels. Chaplin Lake is a major site for shorebirds and, in 1997, was named a Western Hemisphere Shorebird Reserve Network site.*

SMS work continues (July) *Work continued on the development and implementation of a comprehensive safety management system – Occupational Health and Safety Assessment Series (OHSAS) 18001. When completed, the system will help to organize safety, gauge performance, implement and track plans, verify activities with audits, deliver awareness/training and identify opportunities for improvement.*



PAB Stage 2 complete (Sept
PAB transmission line from Prince Cove was energized. The project meet load growth and enhance customers in La Ronge and farthe stages of the rebuilding work now

JANUARY — FEBRUARY — MARCH — APRIL — MAY — JUNE — JULY — AUGUST — SEPTEMBE

Leadership Development Program (January)
Leading for Success, SaskPower's leadership development program, was implemented in 2000 to develop leadership at all levels of the Corporation. This program provides participants with an opportunity to increase their leadership competence by providing the skills necessary to lead in a changing environment while fostering continuous learning.

New on-line customer services – meter reading, budget billing (March)
On-line services were enhanced with the addition of an application for budget billing and interactive meter reading. These joined a number of other product and service applications – along with EnergyCheck, an energy use calculation and conservation tool – available at saskpower.com.

Community Energy Management Service pilot project in Watrous (June)
With assistance from the Saskatchewan Urban Municipalities Association and the Saskatchewan Research Council, a Community Energy Management Service pilot project was launched in Watrous. The pilot will determine how energy savings, identified through an energy audit, can be used by community facility operators to offset the cost of installing energy efficient equipment.

EPP Expressions of Interest (September)
solicitation for up to 15 MW of environmentally p private sector. Eligible technologies include flare ga biomass, biogas, heat recovery from an existing

ATCO selected as partner for 150-MW wind proj (September) *A 10-fold expansion of wind generation in Saskatchewan – up to 150 MW – will be completed by 20 in a joint venture between SaskPower International and AT Power. The project is valued at approximately $250 million*

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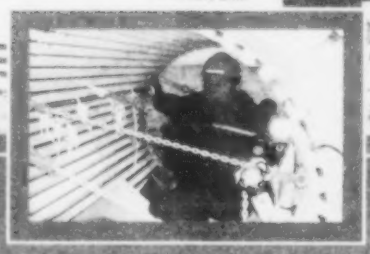
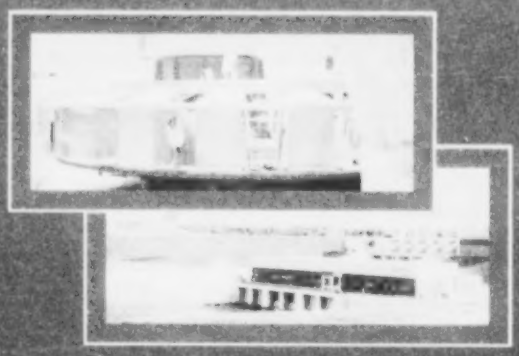


Boundary Dam Unit #6 complete (October) *An $80-million rebuild at Boundary Dam Power Station added at least 20 years to the life of the 300-MW Unit #6. Over the last 10 years, $343 million has been invested in this facility located near Estevan.*

Cypress Wind Power Facility expansion completed (December) *An $8-million expansion of SaskPower's Cypress Wind Power Facility near Gull Lake added seven wind turbines to the site. There are now 16 turbines generating 11 MW of electricity – enough to power the needs of 4,500 households. The expansion was needed to meet the demand for SaskPower's GreenPower product.*

PA8 Stage 2 complete (September) *The rebuilt PA8 transmission line from Prince Albert to Timber Cove was energized. The project was undertaken to meet load growth and enhance system reliability for customers in La Ronge and farther north. Subsequent stages of the rebuilding work now are underway.*



Nipawin Unit #1 complete (December) *Unit #1 at Nipawin Hydroelectric Station was returned to service after a $7.5-million rebuild – the first part of a three-year $23-million overhaul of the station's three turbines and generators.*

SEPTEMBER NOVEMBER

GUST OCTOBER DECEMBER

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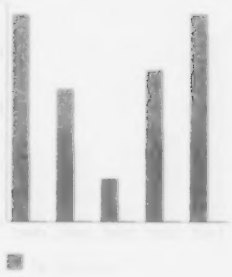
Net Income and Dividends



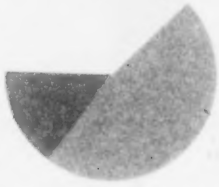
2003 Revenue

Total Revenue: $1,243 million

2003 Expense

Total Expense: $1,170 million

2003 Generation Capacity



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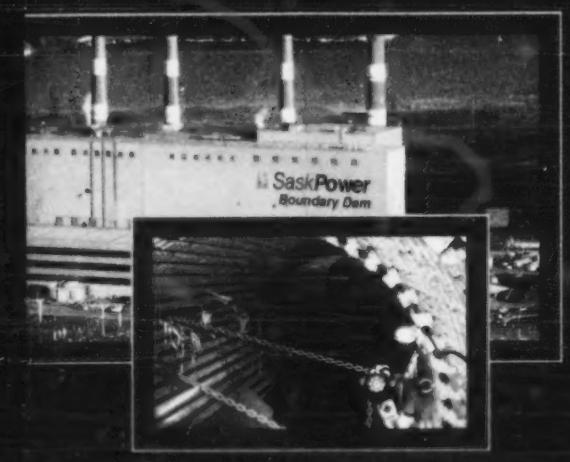

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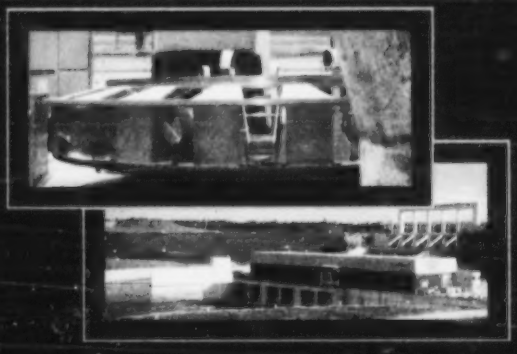

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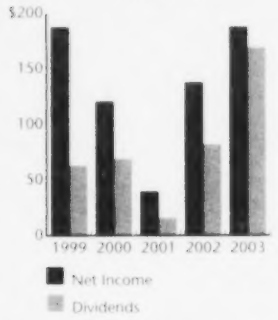

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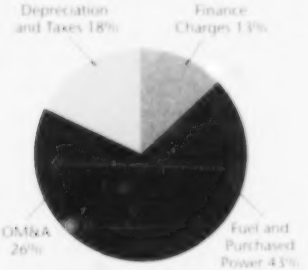
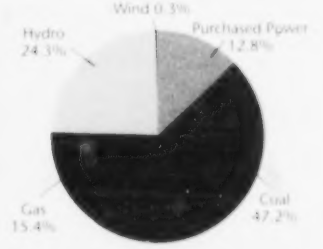
2003 Expense



Total Expense: $1,170 million

Fuel and purchased power is the largest component of SaskPower's expense.

2003 Generation Capacity
(Net MW)



Total Generation Capacity: 3,505 MW

Coal-fired stations provide the bulk of SaskPower's generation capacity.

Financial and Operating Highlights

SaskPower remains on a course designed to secure future operational requirements, maximize efficiencies, effectively manage risk and maintain a strong balance sheet – all in support of its mission to deliver power in a safe, reliable, cost-effective and environmentally responsible manner. Although sales increased in 2003, escalating costs – particularly in fuel and purchased power – continue to put pressure on the Corporation's bottom line. These pressures were masked by the foreign exchange gains recorded on the translation of U.S. dollar denominated debt into Canadian dollars.

Consolidated Financial Results
(in millions)

	2003	2002	Change
Revenue	**$ 1,243**	$ 1,124	$ 119
Fuel and purchased power	**502**	366	136
Operating and financing expenses	**668**	627	41
Income before foreign exchange gains and equity investment income	**73**	131	(58)
Foreign exchange gains	**113**	6	107
Equity investment income	**1**	–	1
Net income	**$ 187**	$ 137	$ 50

SaskPower Subsidiaries' Net Income
(in millions)

	2003	2002	Change
SaskPower International	**$ 2**	$ (1)	$ 3
NorthPoint	**6**	2	4
Shand Greenhouse	**–**	–	–

Financial Indicators
(in millions)

	2003	2002	Change
Dividends	**$ 169**	$ 82	$ 87
Capital spending	**267**	305	(38)
Long-term debt, net of sinking funds	**1,771**	1,886	(115)
Return on equity[1]	**13.6%**	10.2%	3.4%
Debt ratio[2]	**56.5%**	56.8%	(0.3%)

1. Return on equity = (net income)/(average equity), where average equity = ((total equity at year end + total equity at previous year end)/2).

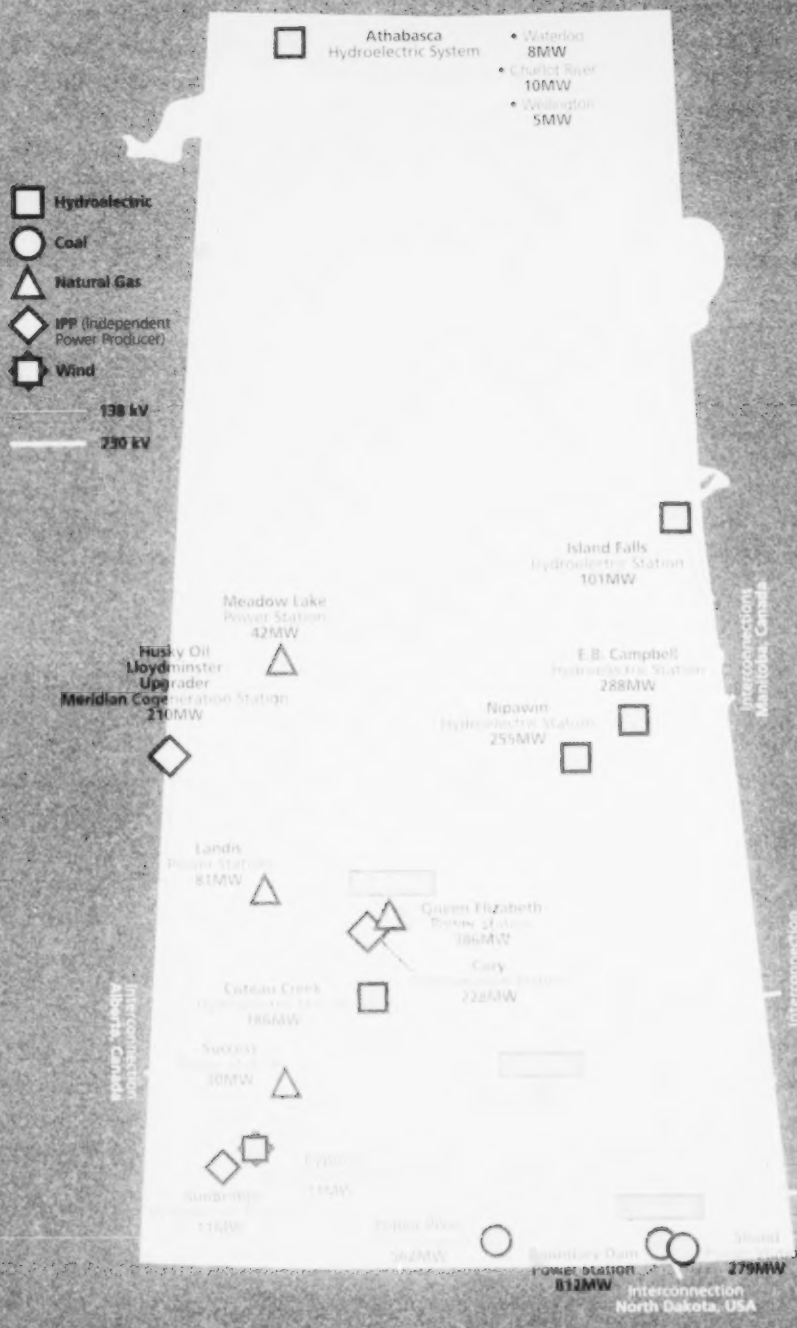
2. Debt ratio = (debt)/(debt + equity), where debt = (long-term debt + short-term advance + current portion of long-term debt – cash and short-term investments).

Operating Statistics
(GW.h)

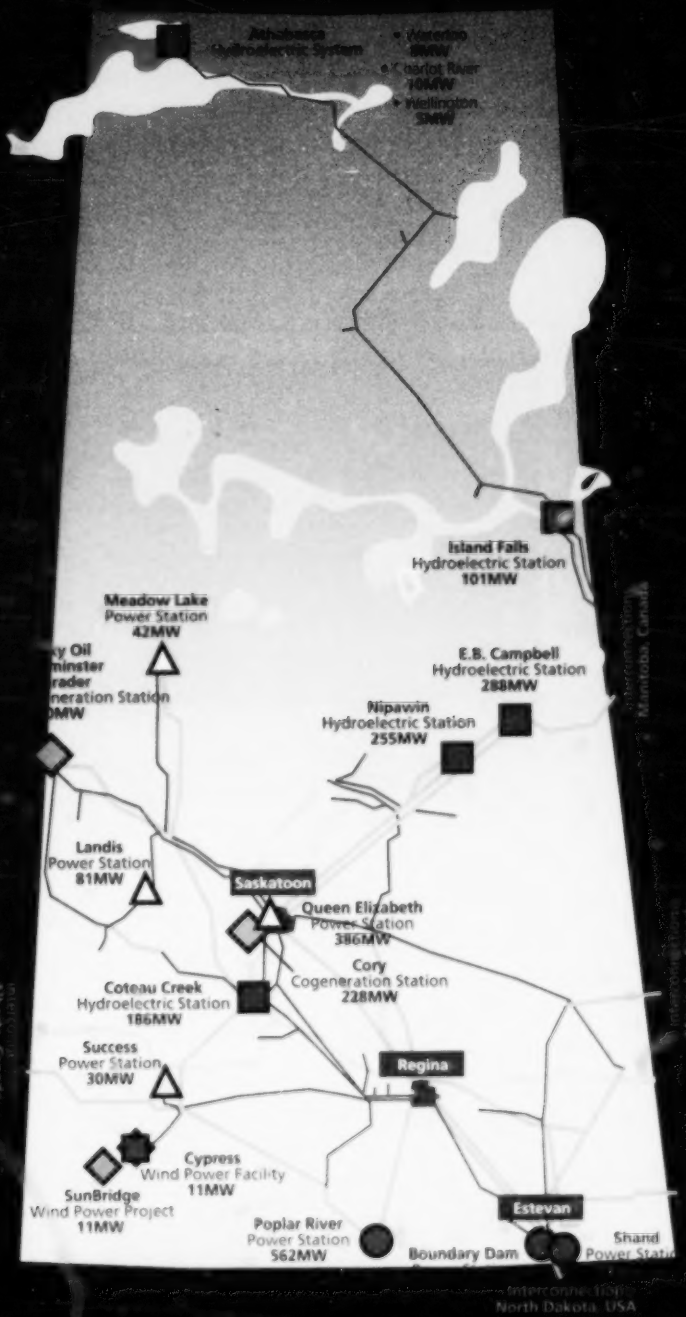
	2003	2002	Change
Saskatchewan electric sales	**16,749**	15,998	751
Exports	**1,761**	777	984
Total electric sales	**18,510**	16,775	1,735
Gross electrical energy supplied	**20,326**	18,699	1,627
Losses and internal use	**(1,816)**	(1,924)	108
Net electrical energy supplied	**18,510**	16,775	1,735

One GW.h is equivalent to the energy consumed by 125 typical houses in one year.

2 SASKPOWER GENERATION AND HIGH VOLTAGE TRANSMISSION MAP
(As at December 31, 2003)



About us: SaskPower operates three coal-fired power stations, seven hydroelectric stations, four natural gas stations and one wind facility with an aggregate generating capacity of over 3,050 megawatts (MW). The Corporation also has purchase agreements with the Meridian Cogeneration Station, Cory Cogeneration Station and SunBridge Wind Power Project. Total available capacity is approximately 3,500 MW. SaskPower maintains more than 152,000 kilometres of power lines, the most extensive network in Western Canada.


Island Falls
Hydroelectric Station
101MW
Meadow Lake
Power Station
42MW
E.B. Campbell
Hydroelectric Station
288MW
Nipawin
Hydroelectric Station
255MW
Landis
Power Station
81MW
Saskatoon
Queen Elizabeth
Power Station
386MW
Cory
Cogeneration Station
228MW
Coteau Creek
Hydroelectric Station
186MW
Success
Power Station
30MW
Regina
Cypress
Wind Power Facility
11MW
SunBridge
Wind Power Project
11MW
Poplar River
Power Station
562MW
Boundary Dam
Estevan
North Dakota, USA

Regina
March 2004

To Her Honour
The Honourable Dr. Lynda Haverstock
Lieutenant Governor of Saskatchewan
Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of Saskatchewan Power Corporation for the year ended December 31, 2003. This report includes the financial statements for the year in the form approved by the Treasury Board, duly certified by the auditors of Saskatchewan Power Corporation, all in accordance with *The Power Corporation Act*.

I have the honour to be, Madam, your obedient servant,

Frank Quennell

Frank Quennell, Q.C.
Minister Responsible
SaskPower

There are occasions in life when external events can unexpectedly cause you to take pause. For SaskPower, August 14, 2003, was one of those days. The largest blackout in North American history swept through Ohio, Michigan, Pennsylvania, New York, Vermont, Massachusetts, Connecticut, New Jersey and Ontario – an estimated 50 million people and 61,800 megawatts (MW) of electric load were affected.

In Saskatchewan, we have always viewed the security of our electric supply to be of paramount importance. Our extensive transmission and distribution system is dependable and our fuel mix well rounded – coal, natural gas, water and wind. During 2003, SaskPower's activities continued to enhance confidence in our strong position.

Early in the year, the 228-MW Cory Cogeneration Station was added to our portfolio. The project is a joint venture between SaskPower International – our development arm – and ATCO Power. While we are using the electricity generated to supply our grid, the steam is being delivered to the Potash Corporation of Saskatchewan for mining processes.

At Boundary Dam Power Station, we concluded a 10-year $343-million program of improvements. A rebuild of the 300-MW Unit #6 provides operational, financial and environmental benefits. A $7.5-million rebuild of the 85-MW Unit #1 at Nipawin Hydroelectric Station is also complete, part of a three-year $23-million overhaul of three turbines and generators.

We continue to emphasize the importance of powerline reinforcements and improvements province-wide. The PA8 line between Prince Albert and Timber Cover is now operational, significantly enhancing service to our northern customers. Meanwhile, we are monitoring and planning for changing North American regulatory conditions concerning interconnections, reliability standards and transmission services.

While a great deal of uncertainty remains around the Kyoto Protocol, our commitment to environmental sustainability is clear. We expanded our Cypress Wind Power Facility to 11 MW by adding seven towers and turbines, and are implementing our new green power portfolio in three areas of strategic focus: wind, small scale environmentally preferred power and customer-oriented energy conservation initiatives. Most notably, a new partnership between SaskPower International and ATCO Power will expand SaskPower's wind generating capacity 10-fold through the addition of 150 MW over a three-year period. We also continued to explore distributed generation technologies through a number of pilot projects.

In support of energy conservation programming with our customers, we launched a pilot project to retrofit community facilities. This supplements existing work with provincial government, municipal, school and commercial facilities to reduce energy use and greenhouse emissions by upgrading heating, cooling, lighting and ventilation systems. The capital costs of improvements are paid through the resulting savings.

During the past year, the Premier of Saskatchewan announced a commitment for our province to provide families with the lowest cost package of basic utilities in Canada. With electricity part of that grouping, we will continue to work to provide fairness in all of our rate structures.

At present, our bottom line appears robust. However, while our net income of $187 million for 2003 exceeds targets, this is largely attributable to foreign exchange gains associated with the strength of the Canadian dollar. To some extent this is masking a number of increasing cost pressures, particularly in the areas of fuel and purchased power.

Despite these challenges, we remain committed to exemplary customer service and the continuous improvement of customer satisfaction. We have responded to customer needs by enhancing on-line services and heightening efforts to protect privacy. Safety also remains a top priority, as we advance our new corporate-wide Safety Management System to help protect our customers and employees from harm's way.

Our ongoing diversity and education efforts are critical in ensuring SaskPower meets present and future employee succession challenges. Meanwhile, for the first time representatives from the International Brotherhood of Electrical Workers (IBEW) Local 2067 and Communications, Energy and Paperworkers (CEP) Local 649 joined our annual Leaders' Forums. Their participation and contributions were invaluable as we discussed present challenges and future direction.

As always, I must express my deepest thanks to our employees and Board of Directors for their innovation. We continue to strive to provide our valued customers with high quality service while positioning SaskPower as a leader in the industry.

John Wright
President and Chief Executive Officer

Delivering on a Promise

We deliver power in a safe, reliable, cost-effective and environmentally responsible manner.

In order for any company to excel, it must focus on its core business with an unwavering dedication. In 2003, SaskPower reaffirmed its central strategic focus – and commitment to Saskatchewan people – by adopting a new mission statement: "We deliver power in a safe, reliable, cost-effective and environmentally responsible manner." This declaration clearly defines SaskPower's role in the life of the province. From Black Lake to Bienfait, from Macklin to Moosomin, SaskPower and its employees are continually tackling the challenge of ensuring electricity is there when it's needed while strengthening the Corporation's place as an industry leader.

Responding to Customers

In the last five years, SaskPower spent well in excess of $1 billion in key investments, ensuring its electric system meets demand in the province reliably, economically and safely. In addition to improvements at coal-fired, natural gas-fired and hydro generating stations, capital investments were made to upgrade poles, transformers and protection and control equipment in the transmission and distribution system.

SaskPower is reinforcing its position in a sustainable fashion – economically, environmentally and socially. During 2003, in addition to expanding the Cypress Wind Power Facility, SaskPower introduced the new green power portfolio. It targets further development in wind, small-scale environmentally preferred power and customer-oriented energy conservation.

As part of this program, SaskPower International is partnering with ATCO Power to develop an additional 150 megawatts of wind power in the province. Building on the success of the Energy Solutions program that targets commercial and institutional buildings, SaskPower began exploring pilot projects to retrofit community facilities in order to reduce energy use. Partnerships were also launched on projects utilizing byproducts – such as wood residue and hog manure – to produce electricity.

Coal remains an integral part of SaskPower's fuel mix, generating the majority of its electricity. The Corporation continues to review operations at coal-fired power stations and explore ways of using this economical fuel source in an increasingly environmentally efficient manner. As a founding member of the Canadian Clean Power Coalition, SaskPower is working to demonstrate technologies that virtually eliminate air emissions and carbon dioxide from

coal-burning power plants. SaskPower is also a member of the Zero Emissions Coal Alliance, an organization committed to leading the development and demonstration of clean, highly efficient and competitive zero emissions technologies.

By carefully listening to customers – residential, agricultural, business and industrial – SaskPower is striving for excellence in customer service delivery. On-line access is a priority, and Saskatchewan residents can now submit electricity meter reading information and apply for SaskPower's budget billing plan through the Corporation's web site – saskpower.com. SaskPower also offers convenient on-line assistance to apply for GreenPower, gas and electrical inspection permits, and oilfield service. In addition, customers can take advantage of EnergyCheck, the interactive guide that helps customers identify ways to reduce home energy consumption and save money on energy bills. Efforts to enhance service through technology are paying off. Inquiries received on saskpower.com have increased by over 80% since 2000, with 42% of visitors to SaskPower's web site accessing services and information after business hours.

While SaskPower remains committed to maintaining the reliability of the electric system as it provides its shareholder with an appropriate return, the Corporation is carefully managing expenditures to ensure a fair rate structure. In 2003, in the face of fuel and purchased power cost pressures, SaskPower remained on solid financial footing.

Responding to the Community

Along with managing $3.6 billion in assets comes an obligation to support local economic development. For SaskPower, that means maximizing purchases from Saskatchewan suppliers and contributing more than $600 million annually to the province's economy. In 2003, the Corporation was able to source almost 80% of purchases of goods and services from within Saskatchewan.

SaskPower also recognizes the important role it can play in supporting community organizations and activities. Educational and environmental initiatives are a key focus. SaskPower provides assistance to numerous programs, including Destination Conservation, delivered by the Saskatchewan Environmental Society, and the Saskatchewan Safety Council's youth team – the Power Pac – which spreads safety messages across the province.

Whether it concerns safety or the environment, effective consultation and communication play an important part in all the Corporation does. During the past year, SaskPower continued to initiate and participate in public informational sessions and meetings with a variety of stakeholders, including business organizations and special interest groups. The annual publication of the SaskPower Environment Review assists in the distribution of important information concerning the Corporation's operations, while safety education, training programs and advertising heighten awareness among children, customers and staff across the province.

By working closely with employees at all levels, SaskPower is preparing the company for the future. The Corporation is creating a strategy for the attraction and retention of a skilled workforce and supporting a diversity strategy intended to build a culture of inclusion characterized by respect, fairness and opportunity. New recruitment outreach programs have a strong diversity focus, and an Employment Systems Review is identifying barriers to the recruitment and retention of individuals from four identified equity groups – Aboriginal people, people with disabilities, visible minorities and women in under-represented roles. As SaskPower enters a new year, the remarkable energy and devotion of all employees is as present as ever, as is the Corporation's confidence in being ready to meet what tomorrow brings.

Profile – A Capability to Deliver Results

SaskPower is the principal supplier of electricity in Saskatchewan. Founded as the Saskatchewan Power Commission in 1929, SaskPower was incorporated as a provincial Crown corporation in 1950 and operates primarily under the mandate and authority of *The Power Corporation Act* (the "Act").

SaskPower's mission is to deliver power in a safe, reliable, cost-effective and environmentally responsible manner. The Act grants SaskPower the exclusive franchise and the exclusive obligation, within the province (except for the City of Swift Current and the City of Saskatoon), to supply, transmit and distribute electricity and to service customers. However, SaskPower has opened Saskatchewan's wholesale electricity market to competition through the posting of an Open Access Transmission Tariff (OATT). The OATT allows competitors to schedule access to the Corporation's transmission system to wheel power through Saskatchewan or sell to SaskPower's wholesale (reseller) customers.

The current regulatory process in Saskatchewan allows the Corporation to request rate adjustments with review by an independent panel. The panel evaluates applications to ensure that adjustments are fair and reasonable and makes recommendations to the provincial Cabinet for approval. SaskPower did not request a rate change in 2003 and rate adjustments between 1999 and 2003 have been below the rate of inflation.

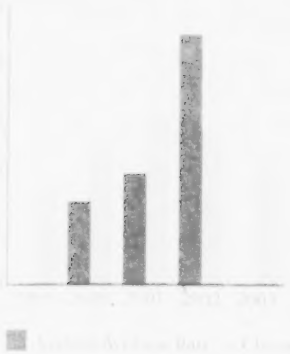
In October 2003, the Premier of Saskatchewan announced a commitment to provide Saskatchewan residents with the lowest cost package of basic utilities in Canada. The Corporation will work with its parent company, the Crown Investments Corporation of Saskatchewan, to ensure SaskPower's future rate structure is in compliance with this commitment.

SaskPower serves over 436,000 customers, manages $3.6 billion in assets, and contributes more than $600 million annually to the provincial economy. This is accomplished through the procurement of nearly 80% of goods and services from Saskatchewan suppliers, the payment of wages and benefits to its employees and the payment of various taxes and royalties. These taxes and royalties include $14 million in grants-in-lieu of taxes payable to local governments and approximately $40 million in coal and gas royalties, water rentals and provincial corporate capital tax payable directly to the Province of Saskatchewan. The Corporation also collected $35 million in municipal surcharges for redistribution to 431 cities, towns and villages.

SaskPower's aggregate generating capacity as at December 31, 2003, was 3,505 megawatts (MW). This includes the 3,056 MW capacity of SaskPower's own facilities – three coal-fired stations, seven hydro stations, four natural gas stations and 16 wind turbines. The Corporation also has available generation capacity of 449 MW through long-term power purchase agreements with the gas-fired

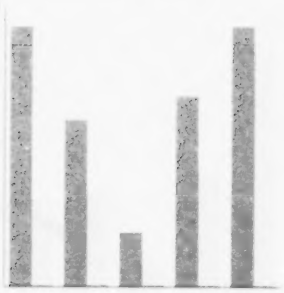
Rate Changes

Compared to Consumer Price Index Changes



Net Income and Dividends

(in millions)



2003 Revenue

Total Revenue: $1,243 million

2003 Expense

Total Expense: $1,170 million

Cory Cogeneration Station near Saskatoon, the Meridian Cogeneration Station at Lloydminster and the SunBridge Wind Power Project near Swift Current. In addition, the Corporation has interconnections at the Manitoba, Alberta and North Dakota borders. These interconnections provide SaskPower with the capability to import or export electricity to meet excess demand or to take advantage of export market opportunities. In compliance with OATT, SaskPower is required to compete with other suppliers for access to these interconnections.

On January 27, 2004, SaskPower set a new peak load of 2,930 MW for the province of Saskatchewan. Prior to that, the most recent record loads were 2,853 MW, set on January 5, 2004, 2,840 MW, set on January 4, 2004 and 2,822 MW, set in December 2000. The peak load is a measure of the amount of electricity that is consumed for a short period of time. These peaks fall within the Corporation's generating capacity.

SaskPower maintains 152,837 kilometres (km) of power lines (12,104 km transmission and 140,733 km distribution). This is the most extensive network in Western Canada and is designed to serve Saskatchewan's large geographic area and widely dispersed population. SaskPower supplies about three customers per circuit kilometre, while most utilities in North America average about 12 customers over the same distance.

SaskPower has 2,376 permanent full-time employees who are employed in three business units, five corporate groups and three wholly-owned subsidiaries.

Financial Results – Net Income Growth Due to Foreign Exchange Gains

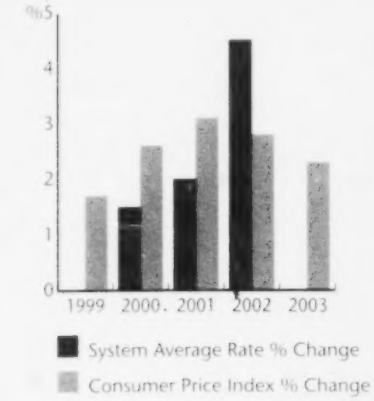
(in millions)	2003	2002	Change
Income before foreign exchange gains and equity investment income	$ 73	$131	$(58)
Foreign exchange gains	113	6	107
Equity investment income	1	–	1
Net income	$187	$137	$ 50
Return on equity[1]	13.6%	10.2%	3.4%

1. Return on equity = (net income)/(average equity), where average equity = [(total equity at year end + total equity at previous year end)/2].

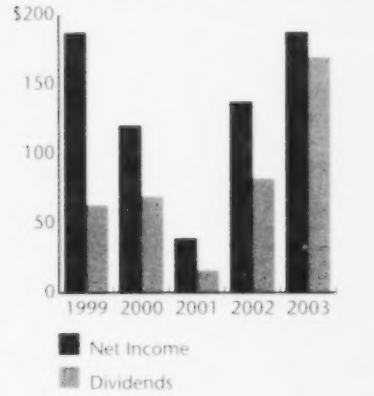
In 2003, as the electrical industry and operational environment continued to move through significant change, SaskPower registered a year marked by success and challenge. The Corporation's consolidated net income was $187 million in 2003, an increase of $50 million from 2002. This resulted in a return on equity of 13.6%, compared to 10.2% in the prior year.

However, $113 million of this net income is attributable to foreign exchange gains associated with the strengthening of the Canadian dollar relative to the United States (U.S.) dollar. The Canadian dollar closed on December 31, 2003, at U.S.$0.7738, up 14¢ from the December 31, 2002, rate of U.S.$0.6331. The $113 million gain compares to a $6 million foreign exchange gain recorded in 2002. The foreign exchange gains are primarily non-cash gains resulting from the translation of long-term U.S. dollar denominated debt into Canadian dollars.

Rate Changes
Compared to Consumer Price Index Changes



Net Income and Dividends
(in millions)



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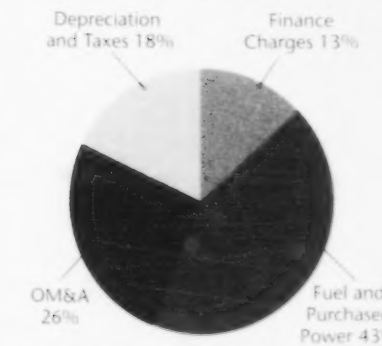

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Income before foreign exchange gains and equity investment income was $73 million in 2003, compared to $131 million in 2002. This $58 million decline was primarily due to the effects of higher natural gas prices and a change in SaskPower's generation mix reflected in fuel and purchased power costs.

During the year, SaskPower continued to make substantial capital investments in order to address environmental concerns, connect new customers and enhance reliability. Total capital expenditures of $267 million in 2003 were down $38 million from 2002, but remain in line with the Corporation's five-year average of $266 million.

As a result of the increase in net income, $169 million will be paid as a dividend to the Corporation's parent company, Crown Investments Corporation, compared to $82 million for 2002.

Total gross debt of the Corporation was $1,891 million at December 31, 2003, down $116 million from December 31, 2002. This decrease was due to the repayment of $142 million of debt along with the reduction in the value of SaskPower's U.S. dollar denominated debt (as a result of the increase in the value of the Canadian dollar relative to the U.S. dollar). This decline was partially offset by the borrowing of an additional $200 million of long-term Canadian dollar denominated debt during the year.

For 2004, the Corporation has targeted net income of $112 million with a return on equity of 8.1%. Over the next three years, SaskPower anticipates that it will return to its long-term target of a 10% return on equity. The realization of these earnings is subject to various risks including weather, natural gas prices, hydro conditions, coal unit availability, foreign exchange rates and the viability of export markets.

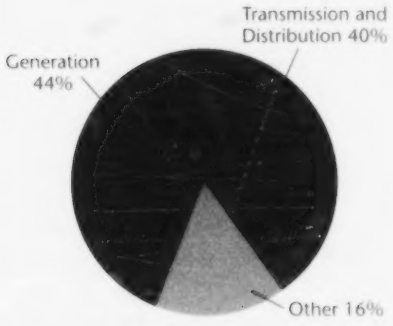
Revenue – *Sales Climb*

(in millions)	**2003**	2002	Change
Saskatchewan sales	**$1,104**	$1,058	$ 46
Export sales	**113**	43	70
Other	**26**	23	3
Total revenue	**$1,243**	$1,124	$119

SaskPower's revenue was $1,243 million in 2003, an increase of $119 million over 2002 revenue. This increase is attributable to an additional $49 million of Saskatchewan electric sales and other revenue, as well as a $70-million jump in export revenue. Overall, the Corporation experienced its first increase in sales volumes in three years.

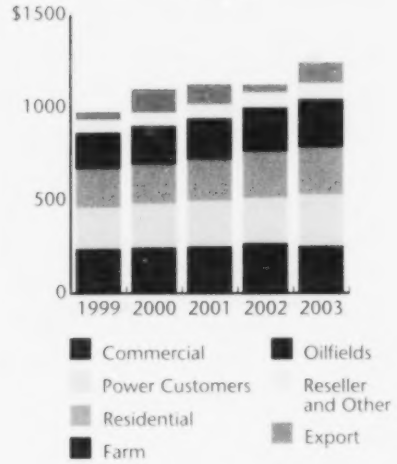
Revenue from Saskatchewan electric sales was $1,104 million in 2003, up $46 million from 2002. The growth was attributable to increased sales volumes, resulting from increases in the number of customers as well as in the average consumption per customer. Residential and farm volumes were up due to a colder than normal second quarter and a warmer than normal third quarter. Sales to industrial customers, particularly oilfields, were up due to increased

2003 Capital Expenditures

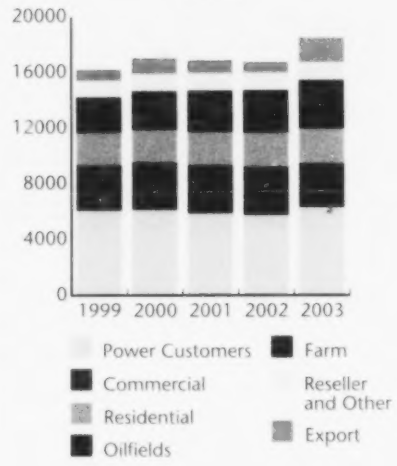


Total Capital Expenditures: $267 million

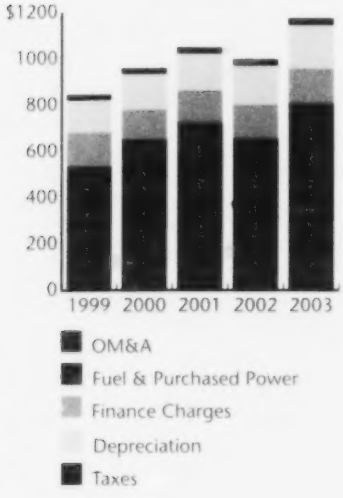
Revenue by Customer Class
(in millions)



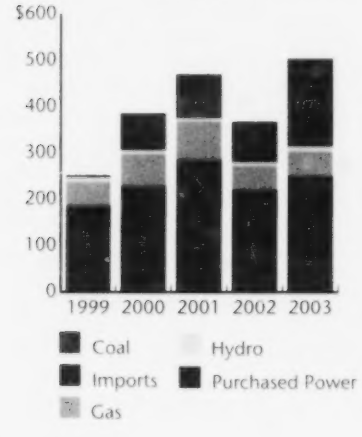
Volume of Electric Energy Sales
(GW.h)



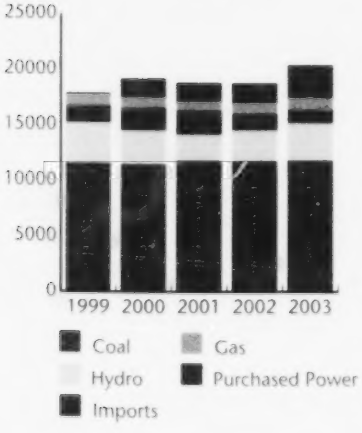
Expense by Type
(in millions)



Fuel and Purchased Power
(in millions)



Generation and Purchased Power by Type
(GW.h)



economic activity. In 2003, SaskPower's total Saskatchewan customer base increased by 2,244 customers over 2002, with Saskatchewan electric sales increasing 751 gigawatt hours (GW.h).

Export revenues increased from $43 million in 2002 to $113 million in 2003. The increase was due to a combination of higher average prices and increased sales volumes. This was due in part to low hydro conditions in Manitoba and the Pacific Northwest that translated into both increased demand and higher export prices. Export volumes rose 984 GW.h from 2002 and the average sale price was $64/megawatt hour (MW.h), up $9/MW.h from 2002.

The Corporation expects Saskatchewan sales volumes to grow at a modest rate of 2% in the coming year. However, a significant reduction in export revenues is anticipated in 2004 as the supply in other jurisdictions stabilizes. These revenue expectations are subject to significant variability as a result of weather, economic conditions and the market conditions in other jurisdictions.

Expense – *Record Fuel and Purchased Power Costs*

Total expense of $1,170 million for 2003 was up $177 million from 2002 due primarily to an increase in fuel and purchased power costs. In 2003, 40¢ of every dollar of revenue went to pay for fuel and purchased power costs, compared to 32¢ in 2002.

(a) Fuel and Purchased Power – *Higher Gas Prices, Increased Volumes and Change in Fuel Mix*

(in millions)	**2003**	2002	Change
Fuel and purchased power	**$502**	$366	$136

Total fuel and purchased power costs were a record $502 million in 2003, compared to $366 million in 2002. This $136 million increase is due to rising natural gas prices, an increase in sales volumes and a change in the generation mix.

Rising natural gas prices increased the cost of electricity generated by the Corporation's gas-fired plants and the cost of power purchased from other generators. The benchmark AECO C average price of natural gas increased 62% from an average of about $3.90/gigajoule (GJ) in 2002 to an average of about $6.30/GJ in 2003. The AECO C hub is one of the major natural gas storage facilities in North America and has become a Canadian reference point for pricing of spot gas markets.

Total generation and purchased power of 20,326 GW.h in 2003 was an increase of 1,627 GW.h over the prior year. The additional generation and purchased power was required to service higher Saskatchewan and export sales.

Finally, there was a change in the generation mix in 2003. Coal – one of SaskPower's most economical forms of generation – accounted for 58% of total generation in 2003, a decrease of 4% from 2002. This generation was replaced with purchased power, a relatively more expensive source of energy, which accounted for 15% of total generation in 2003 compared

Income before foreign exchange gains and equity investment income was $73 million in 2003, compared to $131 million in 2002. This $58 million decline was primarily due to the effects of higher natural gas prices and a change in SaskPower's generation mix reflected in fuel and purchased power costs.

During the year, SaskPower continued to make substantial capital investments in order to address environmental concerns, connect new customers and enhance reliability. Total capital expenditures of $267 million in 2003 were down $38 million from 2002, but remain in line with the Corporation's five-year average of $266 million.

As a result of the increase in net income, $169 million will be paid as a dividend to the Corporation's parent company, Crown Investments Corporation, compared to $82 million for 2002.

Total gross debt of the Corporation was $1,891 million at December 31, 2003, down $116 million from December 31, 2002. This decrease was due to the repayment of $142 million of debt along with the reduction in the value of SaskPower's U.S. dollar denominated debt (as a result of the increase in the value of the Canadian dollar relative to the U.S. dollar). This decline was partially offset by the borrowing of an additional $200 million of long-term Canadian dollar denominated debt during the year.

For 2004, the Corporation has targeted net income of $112 million with a return on equity of 8.1%. Over the next three years, SaskPower anticipates that it will return to its long-term target of a 10% return on equity. The realization of these earnings is subject to various risks including weather, natural gas prices, hydro conditions, coal unit availability, foreign exchange rates and the viability of export markets.

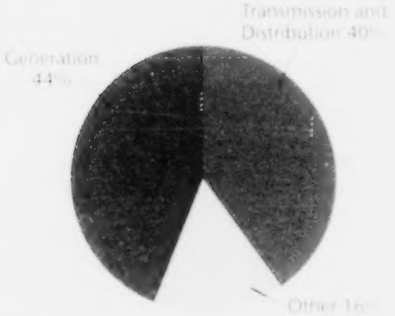
Revenue – Sales Climb

(in millions)	**2003**	2002	Change
Saskatchewan sales	**$1,104**	$1,058	$ 46
Export sales	**113**	43	70
Other	**26**	23	3
Total revenue	**$1,243**	$1,124	$119

SaskPower's revenue was $1,243 million in 2003, an increase of $119 million over 2002 revenue. This increase is attributable to an additional $49 million of Saskatchewan electric sales and other revenue, as well as a $70-million jump in export revenue. Overall, the Corporation experienced its first increase in sales volumes in three years.

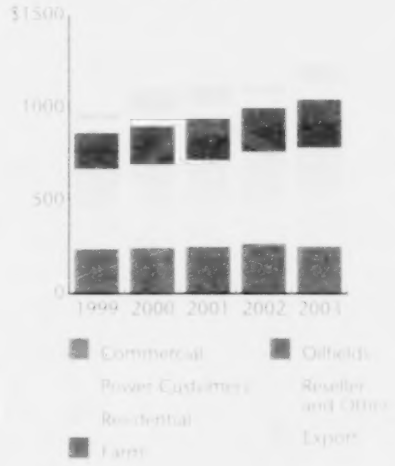
Revenue from Saskatchewan electric sales was $1,104 million in 2003, up $46 million from 2002. The growth was attributable to increased sales volumes, resulting from increases in the number of customers as well as in the average consumption per customer. Residential and farm volumes were up due to a colder than normal second quarter and a warmer than normal third quarter. Sales to industrial customers, particularly oilfields, were up due to increased

2003 Capital Expenditures

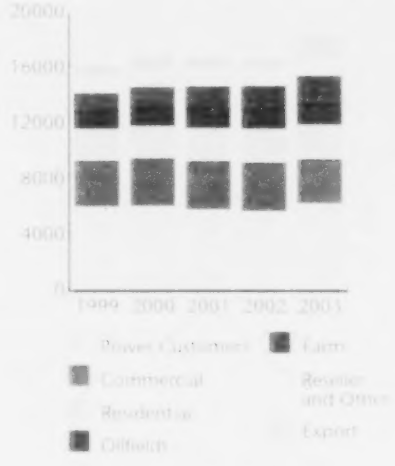


Total Capital Expenditures: $267 million

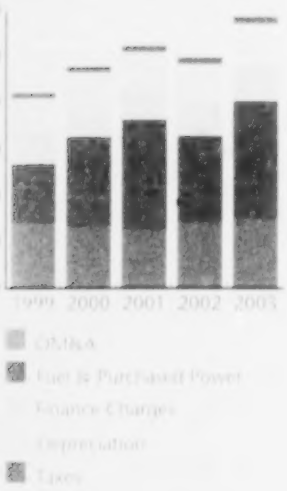
Revenue by Customer Class
(in millions)



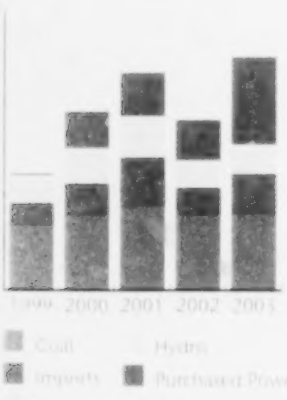
Volume of Electric Energy Sales
(GWh)



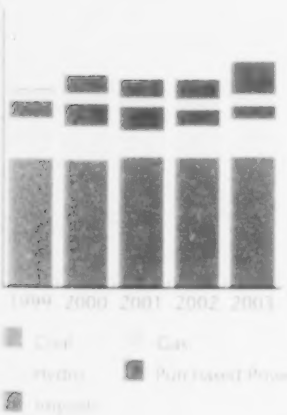
Expense by Type
(in millions)



Fuel and Purchased Power
(in millions)



Generation and Purchased Power by Type
(GW.h)



economic activity. In 2003, SaskPower's total Saskatchewan customer base increased by 2,244 customers over 2002, with Saskatchewan electric sales increasing 751 gigawatt hours (GW.h).

Export revenues increased from $43 million in 2002 to $113 million in 2003. The increase was due to a combination of higher average prices and increased sales volumes. This was due in part to low hydro conditions in Manitoba and the Pacific Northwest that translated into both increased demand and higher export prices. Export volumes rose 984 GW.h from 2002 and the average sale price was $64/megawatt hour (MW.h), up $9/MW.h from 2002.

The Corporation expects Saskatchewan sales volumes to grow at a modest rate of 2% in the coming year. However, a significant reduction in export revenues is anticipated in 2004 as the supply in other jurisdictions stabilizes. These revenue expectations are subject to significant variability as a result of weather, economic conditions and the market conditions in other jurisdictions.

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to 10% in 2002. The change in generation mix is the product of the Corporation's strategic decision to invest in more environmentally responsible forms of generation such as cogeneration (Cory, Meridian) and wind power (Cypress, SunBridge).

SaskPower expects fuel and purchased power costs to remain at increased levels – approximately $450 million in 2004. However, this is a highly volatile cost for the Corporation and has the potential to change dramatically. The factors that will have the biggest impact on fuel costs in 2004 are coal and hydro generation availability, natural gas prices and the levels of Saskatchewan and export demand.

(b) Operating, Maintenance and Administration (OM&A) – *Pension and Insurance Expense Up*

(in millions)	2003	2002	Change
OM&A	$301	$286	$ 15

OM&A expense was $301 million in 2003, compared to $286 million in 2002. This $15 million increase was largely the result of an increase in the pension expense related to the Corporation's defined benefit plan. In accordance with the Canadian Institute of Chartered Accountants' (CICA) Handbook, an independent actuary calculates these costs based on long-term assumptions regarding the return on plan assets and the obligations of the plan. In 2003, the actuary calculated a pension expense of $3 million (compared to $8 million of pension income in 2002) which produced a swing of $11 million.

The remaining increase in OM&A expense is due to the continued rise in insurance premiums in the aftermath of September 11, 2001, additional operating costs from the start of commercial operations at the Cory Cogeneration Station, and increased salaries and benefits reflecting the terms of collective bargaining.

The Corporation expects OM&A costs to rise slightly in 2004 in line with inflation.

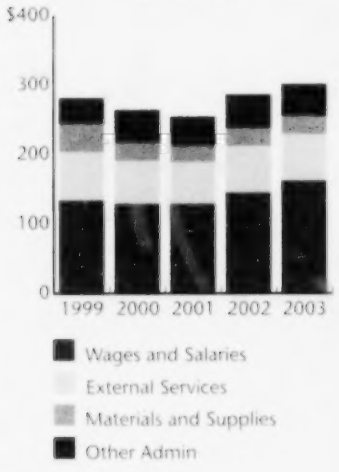
(c) Depreciation – *Capital Program Adds to Charge*

(in millions)	2003	2002	Change
Depreciation	$186	$167	$ 19

Depreciation amounted to $186 million in 2003, compared to $167 million in 2002. This increase is the result of SaskPower's continued program of capital investment – particularly in generation as well as transmission and distribution assets.

Depreciation is expected to increase in 2004 due to prior capital expenditures and continued expansion of SaskPower's capital infrastructure.

OM&A Expenses by Type
(in millions)



Depreciation
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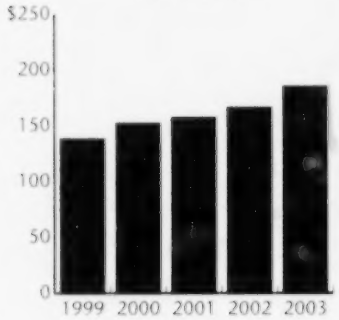
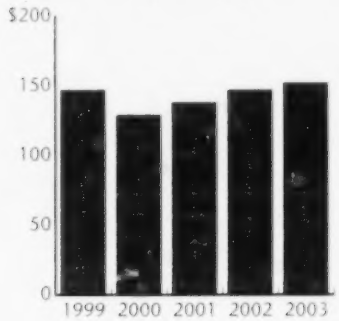
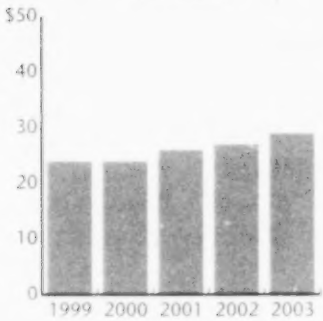


Finance Charges
(in millions)



Taxes
(in millions)



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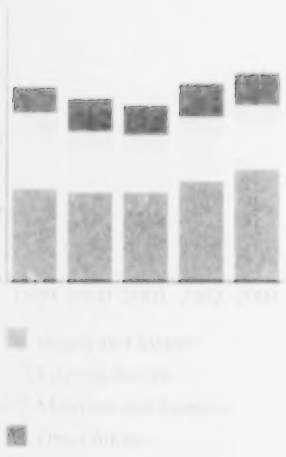
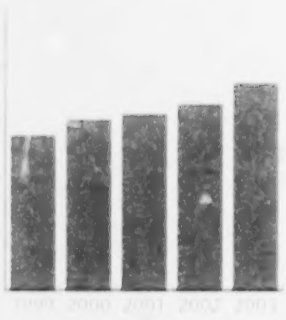
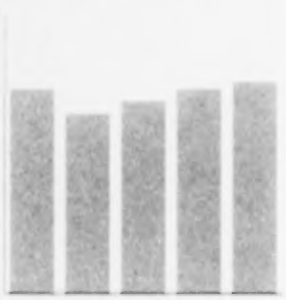
OM&A Expenses by Type



Depreciation



Finance Charges



Taxes

(d) Finance Charges – Interest Capitalization Lowered

(in millions)	2003	2002	Change
Finance charges	**$152**	$147	$ 5

Finance charges of $152 million in 2003 were up $5 million from 2002. The increase is due primarily to a $9 million reduction in the amount of interest capitalized during construction. Interest is applied to construction in progress to account for the cost of project financing. This amount is added to construction in progress and deducted from finance charges. The decrease in interest capitalized is the result of a reduction in capital spending in 2003 compared to 2002.

Finance charges are expected to remain relatively stable in 2004.

(e) Taxes – Capital Tax and Grants-in-Lieu Increase

(in millions)	2003	2002	Change
Taxes	**$ 29**	$ 27	$ 2

Taxes, including capital tax and grants-in-lieu of taxes, increased from $27 million in 2002 to $29 million in 2003. The provincial corporate capital tax expense rose due to an increase in the capital of SaskPower. In addition, grants-in-lieu of taxes increased as the result of the rise in residential revenues. Grants-in-lieu of taxes are paid to 13 cities in Saskatchewan and are based on electric revenues earned in accordance with agreements between SaskPower and those cities.

Moderate increases in capital tax expense are anticipated in 2004, as capital improvements are made while a rise in grants-in-lieu of taxes is expected as revenues from the cities increase.

Capital Expenditures – Infrastructure Strengthened

(in millions)	2003	2002	Change
Capital expenditures	**$267**	$305	$ (38)

In order to ensure a safe, reliable, cost-effective, environmentally responsible supply of electricity for its customers, SaskPower invested $267 million in various capital projects during 2003, compared to $305 million in 2002. Major capital investments in 2003 included:

(a) Generation

- $48 million to complete the rebuild of the 300-MW Unit #6 at the coal-fired Boundary Dam Power Station to extend its operational life. This includes $6 million for the installation of a more efficient electrostatic precipitator, which significantly improves air quality by removing particulates from coal-fired thermal station emissions. Precipitator upgrades have now been completed on all units at Boundary Dam Power Station;
- $8 million to expand the Cypress Wind Power Facility, adding seven towers and turbines to meet the strong demand for SaskPower's GreenPower product; and
- $6 million spent to complete the rebuild of the 85-MW Unit #1 at Nipawin Hydroelectric Station through work at the facility and at Hitachi Canadian Industries in Saskatoon. This project will allow for the continued operation of a highly cost-effective form of generation.

(b) Transmission and Distribution

- $48 million to connect customers to the SaskPower electrical system;
- $15 million to construct and rebuild transmission lines to transport electricity reliably; and
- $10 million to replace aging wooden power poles to enhance the safety and reliability of overhead electrical lines.

(c) Other

- $9 million for the purchase of vehicles and other equipment for SaskPower operations; and
- $7 million for the newly amalgamated Transmission and Distribution Saskatoon Service Centre.

SaskPower plans to continue to make significant investments in its infrastructure with anticipated capital expenditures of $270 million in 2004.

Borrowing and Debt – *Escalating Canadian Dollar Reduces U.S.$ Debt*

(in millions)	2003	2002	Change
Gross long-term debt	$1,891	$2,007	$(116)
Less: sinking fund balances	(120)	(121)	1
Long-term debt, net of sinking funds	1,771	1,886	(115)
Less: current portion of long-term debt	(75)	(168)	93
Long-term debt	$1,696	$1,718	$ (22)
Debt ratio[1]	56.5%	56.8%	(0.3%)

1. Debt ratio = (debt)/(debt + equity), where debt = (long-term debt + short-term advance + current portion of long-term debt – cash and short-term investments).

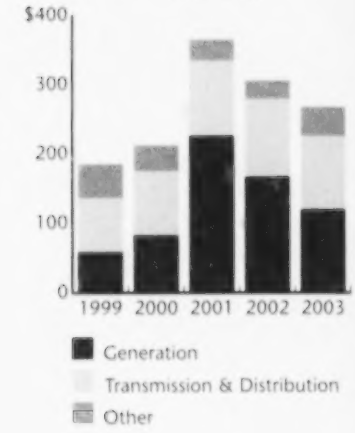
SaskPower's long-term debt position, net of sinking funds, was $1,771 million at December 31, 2003, down $115 million from December 31, 2002. The decline in net debt was the result of the following:

- During 2003, the Corporation repaid $73 million of Canadian dollar denominated and $50 million of U.S. dollar ($69 million Canadian dollars) denominated long-term debt.
- The value of the U.S. dollar denominated debt was reduced by $173 million as a result of the increase in the value of the Canadian dollar relative to the U.S. dollar. The Canadian dollar was worth U.S.$0.7738 on December 31, 2003, up U.S.$0.1407 from December 31, 2002.
- These declines were partially offset by the acquisition of $200 million of additional debt through the Saskatchewan Department of Finance used to finance debt repayments and capital expenditures.

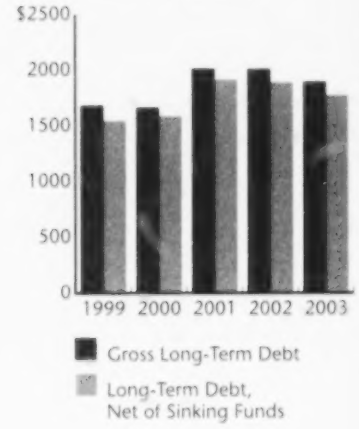
As a result, the Corporation's debt ratio decreased slightly from 56.8% in 2002 to 56.5% in 2003.

SaskPower also borrowed $30 million of short-term debt in December 2003. In January 2004, these borrowings were repaid and replaced with an additional $200 million of Canadian debentures. These borrowings will be required to refinance $58 million of high-coupon (12.60% – 14.06%) debt that will be coming due in 2004. The remaining funds will be required to finance capital spending. The need for further borrowing requirements will be examined throughout the year.

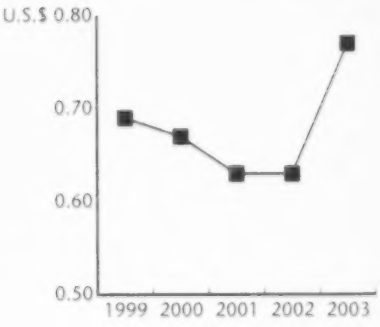
Capital Expenditures
(in millions)



Debt at December 31
(in millions)



U.S./CDN Dollar Foreign Exchange Rates (%)



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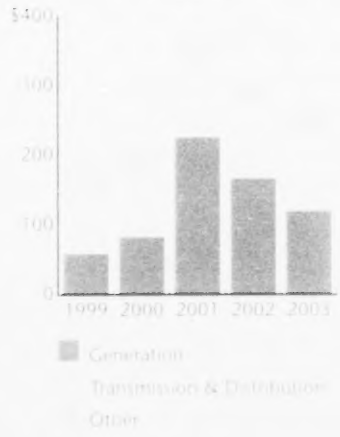

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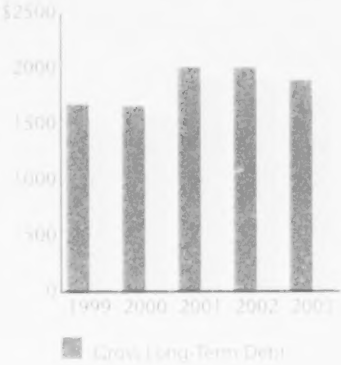


U.S./CDN Dollar Foreign Exchange Rates (%)

SaskPower Subsidiaries — Providing Key Services and Support

SaskPower has three wholly-owned subsidiaries: SaskPower International Inc. (SaskPower International), NorthPoint Energy Solutions Inc. (NorthPoint) and Power Greenhouses Inc. (Shand Greenhouse).

Each subsidiary prepares and issues separate audited financial statements. The financial activities of SaskPower's subsidiaries are consolidated within the financial statements of SaskPower in accordance with Canadian generally accepted accounting principles (GAAP) as summarized below.

2003 Statement of Income and Financial Position

(in millions)

	SaskPower Utility	SaskPower International	NorthPoint	Shand Greenhouse	Adjusting Entries*	Consolidated SaskPower
Statement of income						
Revenue	$1,225	$ 20	$27	$1	$ (30)	$1,243
Expense	1,154	19	20	1	(24)	1,170
Income before the following	71	1	7	–	(6)	73
Foreign exchange gains (losses)	114	–	(1)	–	–	113
Equity investment income	–	1	–	–	–	1
Net income	$ 185	$ 2	$ 6	$–	$ (6)	$ 187
Statement of financial position						
Current assets	$ 278	$ 9	$30	$–	$ (40)	$ 277
Property, plant and equipment	3,125	131	–	4	–	3,260
Other assets	130	27	–	–	(84)	73
Total assets	$3,533	$167	$30	$4	$(124)	$3,610
Current liabilities	$ 435	$ 5	$18	$–	$ (40)	$ 418
Long-term debt	1,601	95	–	–	–	1,696
Other liabilities	113	–	–	4	(4)	113
Total liabilities	2,149	100	18	4	(44)	2,227
Equity	1,384	67	12	–	(80)	1,383
Total liabilities and equity	$3,533	$167	$30	$4	$(124)	$3,610

* *Adjusting entries eliminate inter-company transactions upon consolidation*

SaskPower International

Profile

SaskPower International was established in 1994 as a wholly-owned subsidiary of SaskPower and is mandated to seek new sources of revenue for the Corporation. This includes investing in joint venture power-related projects and selling flyash.

SaskPower International currently has an ownership interest in two power generating stations, as follows:

- The 228-MW Cory Cogeneration Station, located at the PCS Potash Cory Division, began commercial operations in January 2003. The Cory Cogeneration Station is jointly owned on a 50/50 basis with ATCO Power. A cogeneration station differs from a traditional natural gas-fired generation station by simultaneously producing electricity and useful heat or steam. In this case, the electricity generated by the facility is sold to SaskPower under the terms of a 25-year power purchase agreement. The steam is delivered to the PCS Potash Cory Division for use in its industrial processes; and
- A 30% ownership interest, with ATCO Power, in the MRM Cogeneration Station. This 170-MW plant, located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta, began commercial operations in January 2003. The Muskeg River Mine uses all the steam output from the plant and approximately half of the electricity output. The remaining electricity is sold into the Alberta power grid.

The other main component of SaskPower International's business is the marketing of flyash. Flyash is a byproduct of coal burned at SaskPower's Boundary Dam and Shand Power Stations. It is used in various applications such as ready-mixed concrete, concrete block, pipe and paving stones, and environmental remediation including oil well cementing, mine backfill and road base stabilization.

Financial Overview

Net income was $2 million in 2003, up $3 million from 2002. This was primarily due to the commencement of commercial operations of the Cory and MRM Cogeneration Stations.

Revenue

Total revenues were $20 million in 2003, an increase of $17 million from 2002. The increase was due mainly to $16 million of new revenues from the Cory Cogeneration Station. Flyash sales of $3 million in 2003 were up from $2 million in 2002. This increase is due to a record volume of sales, as total volumes rose 38% in 2003 compared to 2002.

Expense

Total expense of $19 million in 2003 was $15 million higher than in 2002 due to the start of commercial operations of the Cory Cogeneration Station.

Equity Investment

The MRM Cogeneration Station generated $1 million of income in 2003. SaskPower accounts for this investment using the equity method.

Outlook

SaskPower International's net income is expected to decline to $1 million in 2004, but is expected to increase in future years as new power projects become operational and flyash markets are further expanded.

In 2003, SaskPower International announced development of 150 MW of wind power generation in Saskatchewan on a 50/50 joint-venture basis with ATCO Power. It is anticipated that the first phase of the wind power development could commence operations as early as 2005, with all 150 MW operational by March 2007. SaskPower will purchase all electricity generated by the facility.

Profile

NorthPoint is a wholly-owned subsidiary of SaskPower. It was formed in late 2001 to meet requirements associated with SaskPower's OATT that mandates the separation of transmission and wholesale marketing functions. SaskPower personnel were used to staff NorthPoint when it was established.

NorthPoint has a service agreement with SaskPower authorizing the subsidiary to perform generation and load management services and to provide energy trading functions related to the generation assets of SaskPower. The generation and load management services include co-ordinating the economic dispatch of SaskPower's total available capacity of 3,056 MW and the dispatch of 449 MW from three long-term power purchase agreements on a continuous basis. The energy trading functions include the marketing of surplus generation to other jurisdictions and purchasing electricity for domestic load when shortfall in supply occurs or lower cost supply is available.

NorthPoint also acts as a principal in wholesale energy marketing transactions that do not relate to the generation assets of SaskPower. NorthPoint actively participates in the Northwest United States, Mid-Continental United States, Alberta and Manitoba. NorthPoint operates mainly under two umbrella-trading agreements: the Mid-Continent Area Power Pool Agreement and Western Systems Power Pool Agreement.

Financial Overview

Net income for 2003 was $6 million, an increase of $4 million over 2002. As a result of the increase in net income, $6 million will be paid as a dividend to SaskPower, compared to $2 million for 2002.

Revenue

Energy sales were $21 million in 2003, compared to $9 million in 2002. The $12 million increase over 2002 reflects both increased volumes and higher average sale prices. The majority of energy sales, or $19 million, was made to Canadian counterparties, with the remaining $2 million made to U.S. counterparties.

In 2003, NorthPoint earned $5 million in service revenue, compared to $3 million in 2002. The increase was due to a change in the service agreement with SaskPower. The service agreement was modified to more adequately reflect the cost to NorthPoint of providing generation and load management services. Service revenue from SaskPower provides approximately 20% of the total revenues of NorthPoint.

Expense

Total expense of $20 million in 2003 was a $10 million increase over 2002. This increase was primarily due to a $9 million rise in the cost of energy purchases required to fulfill the increase in energy sales.

Outlook

Sales revenue is expected to grow modestly over the next few years reflecting the expectation that export markets will stabilize in 2004 as a result of the oversupply condition in markets available to NorthPoint. This oversupply condition is expected to persist for several years. These sales projections are subject to significant variability as a result of weather, economic conditions and market conditions in other jurisdictions.

SaskPower
Shand Greenhouse

Profile

Shand Greenhouse is a wholly-owned subsidiary of SaskPower that distributes seedlings for reclamation, habitat development and restoration. The seedlings are grown using waste heat from the Shand Power Station. The trees that are planted help offset the carbon dioxide emissions from coal-fired electrical generation. Shand Greenhouse operates on a break even basis.

Shand Greenhouse demonstrates SaskPower's commitment to the environment. The Corporation takes a proactive role in educating youth about energy use. It also meets some of its requirements for the reduction of greenhouse gas emissions through the growth and distribution of seedlings. Some of the significant accomplishments for 2003 include:

- The distribution of over 466,000 tree and shrub seedlings;
- The continuation of partnerships with numerous environmentally-minded individuals and organizations throughout Saskatchewan; and
- Organizing poster contests, tours, planting events and school activities, reaching over 3,000 students from more than 140 schools.

Financial Overview

Operating costs were consistent with those of the prior year. SaskPower funded Shand Greenhouse for all costs incurred during the year as part of the operating agreement. As a result, net income reported in the financial statements is nil.

Outlook

Shand Greenhouse anticipates the continuation of the same production and education initiatives in 2004. New capital initiatives are in place to proceed with the establishment of reserve forests and facility expansion.

Off-Balance Sheet Arrangements

The CICA recommends that corporations disclose all off-balance sheet arrangements if they have or are likely to have a material current or future effect on financial condition. SaskPower has the following off-balance sheet arrangements that are considered to be significant.

(a) Derivative Financial Instruments

Financial instruments are used to manage the Corporation's exposure to changes in natural gas prices. These instruments are accounted for using hedge accounting (see *Note 2h* to the consolidated financial statements), which is in compliance with Canadian GAAP. Under this type of accounting, the fair value of the hedging instrument is appropriately not recorded on the balance sheet. The gains and losses incurred during the term of the hedge are deferred and recognized in earnings in the same period and financial statement category as the related natural gas purchases.

The Corporation also utilizes foreign currency forward contracts, collars and other financial instruments to manage exposures to fluctuations in the U.S. dollar on revenue and expense transactions. Any gains or losses are recorded upon settlement of the contract. The fair value of these contracts is not recorded on the balance sheet.

The fair value of these derivatives is disclosed in *Note 15* to the consolidated financial statements.

(b) Energy Performance Contracts

Energy performance contracts are packages that provide energy savings to certain large commercial customers of SaskPower. The packages are comprehensive facility improvement programs that normally include the installation of new energy efficient equipment, which is intended to pay for itself through energy savings. SaskPower guarantees these energy savings. These guarantees are offset by third party guarantees to SaskPower that ensure the energy savings will be realized.

SaskPower has properly not recorded an asset or liability in respect of these contracts as the promised energy savings were being realized on all energy performance contracts as of December 31, 2003. In the event that the energy savings were not being realized, SaskPower would be liable to the customer for guaranteed savings. A payable to the customer and a receivable from the third party that provided an offsetting guarantee to SaskPower would be recorded on the balance sheet.

(c) Coal Mine and Dragline Financing

In 1984, the Corporation sold its Poplar River Mine, including certain coal reserves, facilities and equipment to a third party (the purchaser). As part of the settlement, the purchaser issued and delivered a promissory note as payment to SaskPower in the amount of $89 million maturing on December 30, 2004. SaskPower also received an advance from the Province of Saskatchewan, which included payment terms identical to the promissory note issued by the third party. The Corporation completed a legal defeasance of the advance by placing the promissory note into an irrevocable trust to be used solely for satisfying the advance's principal and interest payments. The Province accepted the note as full and final satisfaction of the advance. The legal defeasance allowed SaskPower to remove the promissory note and the advance from the Corporation's balance sheet.

The promissory note issued requires a monthly sinking fund installment. Upon maturity of the note in 2004, the sinking fund, which has been assigned to the Province, will be used to repay the principal amount of the promissory note. If the sinking fund earnings do not cover this amount, SaskPower is responsible for the shortfall in accordance with a long-term coal supply agreement signed with the purchaser. The current deficit is forecasted to be approximately $39 million at December 30, 2004. The Corporation is amortizing this expected shortfall over the term of the coal supply agreement to December 31, 2015. At December 31, 2003, $18 million of this expected shortfall was recorded by the Corporation and included in other liabilities. The remaining $21 million shortfall has not yet been recorded on the balance sheet of the Corporation. Upon settlement of the shortfall on December 30, 2004, this amount will be recorded on the balance sheet of the Corporation.

Poplar River Dragline

As part of the above agreement, the Corporation also transferred a dragline and associated capital lease to the purchaser through a licensing agreement. The transfer of the lease agreement allowed SaskPower to remove the capital asset and lease obligation from the Corporation's balance sheet. However, SaskPower remains contingently liable for the lease in accordance with a long-term coal supply agreement. In February 2004, the Corporation reached an agreement with the leasing company to purchase the dragline effective October 30, 2004. At the conclusion of this transaction, the dragline will be recorded on the balance sheet of the Corporation.

Critical Accounting Policies

SaskPower's significant accounting policies are described in *Note 2* to the consolidated financial statements. Accounting policies may require estimates and assumptions to be made by management about matters that are highly uncertain at the time the estimate is made. Different estimates could potentially have a material impact on SaskPower's financial position or results of operations. Management has discussed the development and selection of these critical accounting policies with the Corporation's Audit and Finance Committee and the external auditors. The critical accounting policies are described below.

(a) Depreciation

Property, plant and equipment represents 90% of total assets recognized on SaskPower's balance sheet. Included in property, plant and equipment are the generation, transmission and distribution and other assets of the Corporation. Due to the size of SaskPower's property, plant and equipment, changes in estimated depreciation rates can have a significant impact on income.

Depreciation is calculated on a straight-line basis over the estimated service life of the asset. The estimated useful lives of the assets are based on formal depreciation studies that are performed every five years, with annual reviews for reasonableness. The estimated useful lives are determined based upon manufacturer's guidance on asset life, SaskPower's past experience with similar assets, industry averages, as well as expectations about future events that could impact the life of the asset. The next depreciation study is scheduled for 2006.

A one-year increase in the average estimated service life of each of the major asset categories of property, plant and equipment would result in a $13 million decrease to depreciation expense in the current year.

(b) Employee Future Benefits

As explained in *Note 20* to the consolidated financial statements, the Corporation provides post-retirement benefits to employees, including a defined benefit pension plan. Defined benefit pension costs are based on long-term assumptions regarding rate of return on plan assets, discount rates, wage and salary increases, age at retirement, contribution levels and future pension indexing. These long-term assumptions may differ greatly from actual results over the short-term. However, the use of long-term financial assumptions to calculate pension expense is considered appropriate due to the long-term financial commitment that a pension plan represents.

An independent actuary calculates pension costs, relating to the defined benefit pension plan, based on the long-term assumptions described above. In 2003, the actuary calculated pension expense of $3 million. This is a non-cash item that is included in operating, maintenance and administration expense on the income statement.

Changes in long-term assumptions, including the anticipated return on plan assets and the discount rates used in determining the benefit obligation and current period service costs, can have a significant impact on the pension costs of the Corporation.

The expected rate of return on plan assets is based upon past performance and economic forecasts for the types of investments held by the plan. As the result of lower than expected earnings, the long-term rate of return on plan assets was reduced from 7.6% in 2002 to 7.2% in 2003.

The discount rate is based on the spot yield for high-grade, long-term Canadian corporate bonds. This rate was reduced from 6.75% in 2002 to 6.50% in 2003 to reflect the change in bond markets over that period.

The following chart reflects sensitivities associated with a change in certain actuarial assumptions. If both the expected long-term rate of return on plan assets and the discount rate were increased by 0.5% the impact on the pension expense and defined benefit asset recorded in the consolidated financial statements would be as follows:

(in millions)	2003
Impact of Change in Assumptions Increase/(Decrease)	
Pension expense	$(7)
Defined benefit pension asset	7

(c) Change in Accounting Policy

SaskPower has been proactive in recognizing its responsibility for the decommissioning and site restoration of its property, plant and equipment. Under the guidance of the CICA Handbook section 3061, the Corporation had been recognizing a cost for the decommissioning and site restoration of SaskPower's transmission, distribution and generation facilities. Under this model, the estimated cost of retirement was amortized on a straight-line basis over the expected useful lives of the assets involved. As at December 31, 2002, the Corporation had recorded a total provision of $251 million for future asset removal and site restoration costs.

Effective January 1, 2003, SaskPower early adopted the new CICA standard for accounting for asset retirement obligations. Under the new guidance, asset retirement obligations are recognized at the time that they are incurred if a reasonable estimate of fair value (present value) can be determined. This requires the recording of both an obligation and an offsetting asset, which is added to property, plant and equipment. Each year, the carrying value of the obligation is increased to recognize the passage of time (accretion expense) while the offsetting asset is amortized on a straight-line basis over the useful life of the related asset. In accordance with the new guidance, the change in accounting policy was applied retroactively with a restatement of prior periods.

As a result, SaskPower was required to adjust the annual amount recorded for the retirement of its property, plant and equipment, while also adjusting the provision that it had previously recorded. These adjustments were required because a fair value could not be determined for the removal of hydro generating facilities or for transmission and distribution assets, as these assets are expected to be maintained and operated indefinitely.

The following reflects the impact of the change in accounting policy:

(in millions)	2002	2001	2000	1999
2002 Annual Report				
Depreciation	$ 177	$ 168	$ 165	$ 152
Net income	127	29	108	174
Property, plant and equipment, net	3,185	3,069	2,879	2,829
Accounts payable and accrued liabilities	177	185	160	119
Other liabilities	308	300	291	288
Equity	1,185	1,140	1,127	1,088
2003 Annual Report with prior years restated				
Depreciation	$ 167	$ 158	$ 153	$ 139
Net income	137	39	120	187
Property, plant and equipment, net	3,190	3,074	2,884	2,833
Accounts payable and accrued liabilities	176	184	159	118
Other liabilities	134	136	137	145
Equity	1,365	1,310	1,287	1,236
Impact of accounting change				
Depreciation	$ (10)	$ (10)	$ (12)	$ (13)
Net income	10	10	12	13
Property, plant and equipment, net	5	5	5	4
Accounts payable and accrued liabilities	(1)	(1)	(1)	(1)
Other liabilities	(174)	(164)	(154)	(143)
Equity	180	170	160	148

Priorities and Challenges for the Future

A number of issues on the horizon may have a tremendous impact on SaskPower in future years as the Corporation continues to provide safe, reliable, cost-effective, environmentally responsible power to its customers. In meeting this mission, SaskPower has identified and is addressing the following priorities and challenges it faces.

(a) Building Customer Service Excellence

Building customer service excellence involves concentrating on the many dimensions of customer satisfaction – a long-term focus on this area is necessary to ensure business sustainability. The Corporation is pursuing the following initiatives intended to help SaskPower achieve the goal of excellence in customer service:

- Reviewing SaskPower's service delivery processes to identify service and cost improvement opportunities;
- Implementing customer self-service capabilities via the internet to enhance customer convenience and lower the Corporation's costs;
- Updating other technologies to facilitate customer service improvements;
- Enhancing the skills training for service personnel to ensure the delivery of excellent customer service;
- Developing and implementing new green programming and pricing strategies that customers value; and
- Implementing plans to enhance the account management services to key/major account customers.

In addition, SaskPower remains committed to a capital and operating program that focuses on effectively maintaining the generating, transmission and distribution assets of the Corporation in order to ensure a high level of reliability.

(b) Developing SaskPower's People

It is important for SaskPower's future success that the Corporation continues to focus on the development of its employees as everything SaskPower does is achieved through its people. Continued emphasis on supporting and developing all employees is an obvious key to future success.

(i) Succession Planning/Leadership Development

The first challenge lies in the area of succession planning. In common with many utilities, the Corporation has an aging workforce with a significant number of employees who are eligible to retire within the next five to 10 years. To address this inevitability, SaskPower has been promoting an expanded apprenticeship program in the mechanical, electrical, line and instrumentation trades and will continue to do so for the foreseeable future. SaskPower has also embarked upon Leadership Development and Succession Planning Programs designed to provide employees with the necessary training to be future leaders and managers.

(ii) Diversity

SaskPower is also seeking to broaden the diversity of its workforce. In particular, SaskPower is developing programs in its attempt to increase the participation of Aboriginal people in the many career opportunities the Corporation offers. Some small successes have been achieved in the North at the Island Falls Power Station. However, far more needs to be done in this area. Other areas of diversity, including women in non-traditional roles, visible minorities and people with disabilities are also being addressed.

(iii) Safety

Customer and employee safety is a top priority at SaskPower and a key to the future success of the Corporation. One of the key initiatives undertaken in 2003 was the development of a new safety management system (SMS). It will be used to organize safety initiatives, track performance, verify activities with audits, deliver training and identify opportunities for improvement. The implementation of the SMS will allow SaskPower to comply with the Occupational Health and Safety Assessment Series 18001 specification. This standard provides SaskPower with appropriate guidelines and objectives to assist in effectively managing safety.

(iv) Relationship with SaskPower's Unions

Continuing to improve relations with SaskPower's two collective bargaining units is also an important ingredient for future success. The existing collective bargaining agreements with the International Brotherhood of Electrical Workers Union and the Communications, Energy and Paperworkers Union expired in December 2003 and January 2004 respectively.

(c) Promoting Environmental Stewardship

The future health of the Corporation will rely to a great degree on the extent to which SaskPower can manage the environmental challenges it faces. Increasingly stringent environmental regulation at the provincial, national and international levels will materially affect how the Corporation conducts its operations. In particular, SaskPower is facing an "emissions constrained" future which will primarily affect the operation of its coal-fired generating facilities. The Kyoto Protocol and the control of greenhouse gas emissions is the issue with the highest profile. However, there are other emissions that will also prove demanding to deal with. These include new source emission guidelines (involving SO_2, NOx, particulates and other matters challenged through NAFTA), mercury emission guidelines, as well as other possible substance or emission guidelines. Details regarding the exact standards and timeframe for implementation of the proposed regulations remain unclear. However, the Corporation has been proactive in addressing emissions and other environmental issues through numerous projects and initiatives:

- Investing in wind power generation, including the Cypress Wind Power Facility, SunBridge Wind Power Project and the announcement of the development of an additional 150 MW of wind power (the first phase of the wind power developments could commence as early as 2005 with all 150 MW operational by March 2007);
- Installing small scale distributed generation technologies, including flared gas, biomass and solar energies;
- Continuing to utilize heat from the Shand Power Station at Shand Greenhouse to annually grow and distribute nearly half a million tree seedlings province-wide;
- Working with the Canadian Clean Power Coalition, a joint venture of coal-fired electricity generators and suppliers which contribute to the development of clean coal technology;
- Influencing awareness about electricity and the environment through educational programs, energy audits and efficiency initiatives, as well as contributing to the protection of the province's ecosystems;

- Expanding SaskPower's GreenPower program, which is an optional product that provides customers with the opportunity to purchase blocks of electricity produced from wind power. Several federal and provincial buildings, as well as SaskPower's head office, are supplied with GreenPower;
- Constructing a pilot mercury scrubber at Poplar River Power Station to determine if mercury can be removed from the emission stream of lignite combustion. This follows extensive research work at the University of North Dakota;
- Maintaining a close working relationship with Saskatchewan Environment through a partnership agreement to ensure that priorities are set for environmental protection;
- Maintaining its Environment Management System ISO 14001 certification through rigorous internal and external audits; and
- Exploring means by which the Corporation can reduce electrical consumption through demand side management initiatives.

Through these and other initiatives, SaskPower is clearly demonstrating that environmental action is a fundamental part of the Corporation's approach to business.

(d) Ensuring Sound Financial Management

Sound financial management is integral to ensuring that SaskPower is able to continue to provide a reasonable return on the assets of the Corporation while providing safe, reliable, cost-effective, environmentally responsible electricity.

Risk Management

A key to achieving sound financial performance is the management of the various risks the Corporation faces. SaskPower's Board of Directors ("Board") approves the risk management framework for the Corporation. The Board also approves risk exposure guidelines, tolerances and control structures within which management will conduct SaskPower's business. The Risk Management Committee, chaired by the President and Chief Executive Officer, is responsible for implementing the Board-approved policies and for directing and monitoring the development, implementation, conduct, control and reporting of SaskPower's risk management activities. The following risk exposures are the significant factors that could affect SaskPower's future results:

(i) Operational Risk

SaskPower's generation, transmission and distribution facilities were constructed primarily during the period of sustained growth in Saskatchewan that occurred from the 1950s to the 1970s. Due to the age of these facilities, the Corporation has significant exposure to operational risks such as equipment failure. The potential impacts of equipment failure include an increase in operation and maintenance expenses, the need to use more expensive sources of generation (natural gas-fired generation or imports) and power outages. Significant capital investments are required on an annual basis to ensure that facilities and equipment whose useful life has expired are replaced or new capacities installed to meet the ever-increasing demand for electric energy from customers.

To mitigate the risk of equipment failure and to minimize the capital investments required, SaskPower is engaged in a program of preventative maintenance designed to maximize operating efficiency and increase the useful life of these facilities.

SaskPower is also subject to risks such as accidental loss of assets, business interruption and liability suits. The Corporation utilizes two methods for dealing with these risks. Loss prevention methods are applied in instances where the risks can be controlled, eliminated or transferred. Loss prevention involves engineering, administrative and operating staff working to identify risks and developing loss prevention solutions. Secondly, SaskPower purchases insurance to minimize its exposures to certain risks. SaskPower primarily seeks insurance for catastrophic events only and the deductibles on the major insurance types are set so that premiums are maintained at reasonable levels.

(ii) Commodity Price Risk

SaskPower has exposure to fluctuations in the prices of commodities used in the generation of electricity. Fuel and purchased power costs have doubled in the last five years, increasing from $251 million in 1999 to $502 million in 2003. Much of this increase is attributable to a shift in the mix of SaskPower's generation supply to favour a more environmentally friendly fuel – natural gas. This includes the construction of the Cory Cogeneration Station, the signing of a long-term power purchase agreement to receive electricity from the Meridian Cogeneration Station and the repowering of the natural gas-powered Queen Elizabeth Power Station. However, the variable cost of gas-fired and cogeneration sources of generation is four to six times higher per unit of energy than the cost of coal-fired generation.

To address this risk, SaskPower is actively engaged in fuel cost management activities for both coal and natural gas. SaskPower has secured long-term coal supply contracts for its coal-fired generation. As a result, the Corporation's exposure to changes in coal prices has been managed. The contracts in place expire between 2009 and 2024. In addition, the Corporation has a comprehensive natural gas hedging strategy that applies a balanced approach to manage costs through the use of physical purchases, storage and financial instruments. An objective of the plan is to reduce the risk related to natural gas price volatility.

Additionally, SaskPower's electricity trading activities are exposed to fluctuations in the market price of electricity. The Board has approved limits on the maximum size, type and level of risk the Corporation will accept in any given transaction. As at December 31, 2003, SaskPower had no significant open positions.

(iii) Foreign Exchange Rate Risk

SaskPower has exposure to various currencies due to holdings of U.S. dollar denominated long-term debt, electricity trading activities and the acquisition of goods and services from foreign suppliers. The Corporation manages these exposures using a variety of hedging instruments including foreign currency forward contracts and cross-currency swaps. Hedging activities are overseen by Board-approved guidelines and regularly reported to the Risk Management Committee and the Board.

The most significant exposure is the result of the holding of U.S. dollar denominated long-term debt. As at December 31, 2003, SaskPower had hedged approximately 61% of its U.S. dollar exposure related to this debt. The Corporation expects to hedge the remaining exposure over the next two years.

(iv) Credit Risk

Credit risk exposure is the risk that a counterparty will fail to perform its present or future obligations resulting in a loss. As an example, credit risk exposure may be quantified as the cost of replacing a physical or financial instrument or the loss incurred when a counterparty fails to make payment on billed invoices.

Credit risk is managed by adhering to credit policies established by management and approved by the Board. Ongoing monitoring of all material counterparties is in place to ensure credit limits are reduced or eliminated as market events occur. As at December 31, 2003, all credit exposures were within the limits stated in the approved guidelines.

Other Issues

(i) Privacy

In May of 2002, the Saskatchewan Government commissioned a report on privacy in the Government and Crown sector by Deloitte & Touche. Cabinet acted on the recommendations contained in that report and mandated action on the part of Executive Government and the Crown sector. In response to the mandate from cabinet, the CIC Subsidiary Crown Corporations, including SaskPower, jointly developed an Overarching Privacy Framework. The Crown corporations each developed their own specific Privacy Management Action Plan. SaskPower's Privacy Management Action Plan was approved by the SaskPower Executive and the Board in the fall of 2003. Implementation of the Privacy Management Action Plan has commenced and a privacy policy is scheduled to be reviewed by the Board in the first quarter of 2004.

(ii) Realizing Business Improvement Benefits

During 1998 and 1999, SaskPower undertook a corporate-wide project to review, redesign and implement new operational processes and reporting methods. As part of the project, SaskPower replaced aging information technology systems with a Systems, Applications and Products in Data Processing (SAP) system.

SaskPower, in consultation with the Provincial Auditor, is working to realize the expected benefits from its improved work processes enabled by SAP. The benefits include improved generation availability, performance efficiencies due to better work scheduling as well as operational improvements.

The original cost to the Corporation to redesign its processes and install the SAP software system was $58 million with operating expenditures forecasted at approximately $30 million over the first five years of operation. SaskPower originally expected to realize benefits from the project of $167 million over the same period. The Corporation now expects to achieve approximately $120 million of benefits as a result of this investment. The bulk of these benefits will result from improved planning and maintenance activities at SaskPower's coal-fired power stations. Improved planning and maintenance activities are anticipated to translate into better availability of the coal plants (production of more electricity) which will minimize the cost of using more expensive forms of replacement energy such as natural gas. As of December 31, 2003, SaskPower had realized benefits of $53 million. The Corporation has made a strategic priority of leveraging this investment particularly in Power Production, Transmission and Distribution, and Corporate Information and Technology and continually seeks new ways to improve operational performance through leverage of the investment.

Corporate Balanced Scorecard

In order to achieve SaskPower's vision and mission – through an ongoing commitment to the Corporation's values – the SaskPower Executive and Board have identified four strategic priorities. Each is supported by a set of specific corporate objectives and measures. The Corporation's progress is measured through the use of a Corporate Balanced Scorecard, which contains important financial and other performance indicators.

Strategic Priorities and Corporate Objectives	Measures	2002 Actual (Restated)	2003 Actual	2003 Target	2004 Target
Building Excellence in Customer Service Delivery					
Exceeding customer expectations in services	Customer Satisfaction Index (%)	46	48	49	51
Maintaining service reliability	Reliability SAIDI	3.4	4.4	3.3	3.7
	Reliability SAIFI	1.5	1.8	1.8	1.7
Developing SaskPower's People					
Ensuring a safe workplace	Safety Severity Rate (%)	149	93	30	25
	Safety Frequency Rate (%)	3.0	2.1	1.0	0.8
Building a representative workforce	Percentage of New Diversity Hires (%)	18	24	23	21
Achieving a continuous improvement culture	Employee Satisfaction Index (%)	59	61	59	61
Managing human resources strategically	Number of Employees Who Participated in the Leadership Development Program	183	84	156	545
Promoting Environmental Stewardship					
Promoting sound environmental practices	Number of Reportable Spills	22	14	12	10
	Environmental Management System Audits Conducted	16	16	16	16
Ensuring Sound Financial Management					
Achieving SaskPower's financial targets	Return on Equity (%)	10.2	13.6	8.4	8.1
	Debt Ratio (%)	56.8	56.5	60.3	59.0
	Consolidated Net Income ($ millions)	137	187	100	112
	Saskatchewan Content in SaskPower Purchases (%)	81	78	75	75
Maximizing low-cost generation	Coal Equivalent Availability Factor (EAF%)	82.9	82.9	82.6	85.3
Managing subsidiaries effectively	SaskPower International Net Income ($ millions)	(1.0)	2.0	2.0	0.8
	NorthPoint Net Income ($ millions)	2.3	6.3	3.0	4.0

Description of Performance Measures	Results
Customer Satisfaction Index – is a measure of the percentage of customers who are "completely or very satisfied" with SaskPower's level of service. The 2004 target reflects SaskPower's commitment to continually improve the level of customer satisfaction.	The 2003 results were slightly below the Corporation's target but a 2% improvement over the 2002 results. SaskPower intends to continue to improve on this measure through various customer service initiatives.
Reliability System Average Interruption Duration Index (SAIDI) – is a measure of the average service interruption length in hours from a customer's point of view. This is used to track the performance in responding to outages.	The SAIDI measure did not meet target due to an increase in storm activity in 2003, a significant fire in the Prince Albert region and a planned outage for system improvements in the Weyburn region. However, the 2003 SAIDI stats are better than the 2002 Canadian utility average of 4.85.
Reliability System Average Interruption Frequency Index (SAIFI) – is a measure of the average service interruption frequency from a customer's point of view. This is used to track the overall performance of SaskPower's distribution system.	The SAIFI measure was on target in 2003. The measure is also significantly better than the 2002 Canadian utility average of 2.56.
Safety Severity Rate – is a measure of the severity of injuries incurred at work during the year based on the number of days lost and the severity of the injuries. The target is to be one of the top three utilities in Canada.	The 2003 safety severity rate is well off target due to an unexpected number of injuries. However, the 2003 rate was a 38% improvement over 2002. The Corporation remains committed to meeting its target through training and education.
Safety Frequency Rate – is a measure of the number of injuries or illnesses that result in lost work time during the year. The target is to be one of the top three utilities in Canada.	The 2003 safety frequency rate of 2.1 did not achieve SaskPower's target but is a 27% improvement over the 2002 results. The Corporation remains committed to meeting its target through training and education.
Employment Diversity – is a measure of new hires in the four designated target groups (Aboriginal people, visible minorities, disabled persons and women in non-traditional roles) expressed as a percentage of total hires.	The Corporation exceeded its diversity target in 2003.
Employee Satisfaction – is a measure of the satisfaction of employees at SaskPower based on an employee satisfaction survey.	The Corporation exceeded its Employee Satisfaction target in 2003. The employee satisfaction index has improved 6% since 2000.
Leadership Development Program – is a measure of the number of management and in-scope supervisory staff who participated in the Leadership Development Program. The long-term target is to train all management and supervisory staff.	The number of staff who attended leadership training fell short of the target due to a deferral of scheduled training in the fourth quarter to 2004.

Description of Performance Measures	Results
Number of Reportable Spills – is a measure of the number of reportable spills of regulated substances as defined by current legislation and regulations.	The Corporation experienced more reportable spills than targeted. Action is being taken to mitigate the impacts of all reportable spills.
Environment Management System Audits Conducted – is a measure of the number of audits conducted each year on SaskPower's ISO registered units.	There were 16 internal and external environmental audits completed in 2003 for ISO 14001 certification.
Return on Equity – is a measure of net income expressed as a percentage of total equity. The target reflects an appropriate rate of return relative to other Canadian electrical utilities.	The return on equity was significantly better than targeted primarily due to the $113 million foreign exchange gain recorded in 2003. The foreign exchange gain was the result of a 14¢ U.S. increase in the Canadian dollar relative to the U.S. dollar.
Debt Ratio – is a measure of debt expressed as a percentage of the total corporate financing structure. The target reflects a prudent level of debt for an electrical utility.	The 2003 debt ratio target of 56.5% exceeded the target of 60.3%. The decrease in the debt ratio is due primarily to the decline in the value of the Corporation's U.S. dollar denominated debt as a result of a 14¢ U.S. increase in the Canadian dollar relative to the U.S. dollar.
Consolidated Net Income – is a measure of the accumulated net income of SaskPower and its subsidiaries after adjusting for inter-company transactions. The target reflects the income required to meet the return on equity and debt ratio targets.	The 2003 consolidated net income was $87 million above target primarily due to the $113 million foreign exchange gain.
Saskatchewan Content in SaskPower Purchases – is a measure of the percentage of goods and services that were procured from Saskatchewan vendors (excluding fuel and purchased power).	The Corporation exceeded its Saskatchewan Content in SaskPower Purchases target as SaskPower purchased over $290 million of goods and services from Saskatchewan suppliers.
Coal Equivalent Availability Factor – is a measure of the overall ability in a given period that the coal units were available to generate at their maximum continuous rating. This target is tied to the achievement of SaskPower's Corporate Process Improvement Program.	The coal unit availability was better than target as a result of better-than-planned performance on most coal units.
SaskPower International Net Income – is a measure of the net income of the subsidiary.	SaskPower International's net income results met targets for the year.
NorthPoint Net Income – is a measure of the net income of the subsidiary.	NorthPoint's net income results exceeded target due to improved income from energy trading activities.

Report of Management

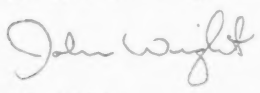
The consolidated financial statements of Saskatchewan Power Corporation (SaskPower) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates which have been made using management's best judgment. In management's opinion, the consolidated financial statements have been properly prepared within the framework of selected accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, information available up to February 6, 2004. The financial information presented in the Management's Discussion and Analysis (MD&A) and elsewhere in this report is consistent with that in the consolidated financial statements.

Management maintains appropriate systems of internal control, including corporate-wide policies and procedures which provide reasonable assurance that the Corporation's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable and accurate and that transactions are executed in accordance with management's authorization. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and the Audit and Finance Committee of the Board of Directors.

The consolidated financial statements have been examined by Deloitte & Touche LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by the Crown Investments Corporation of Saskatchewan. The external auditors' responsibility is to express their opinion on whether the consolidated financial statements are presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report, which follows, outlines the scope of their examination and sets forth their opinion.

The Board of Directors, through the Audit and Finance Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Audit and Finance Committee consists entirely of outside directors. At regular meetings, the Committee reviews audit, internal control and financial reporting matters with management, the internal auditors and the external auditors to satisfy itself that each is properly discharging its responsibilities. The MD&A, consolidated financial statements and the external auditors' report have been reviewed by the Audit and Finance Committee and have been approved by the Board of Directors. The internal and external auditors have full and open access to the Audit and Finance Committee, with and without the presence of management.

On behalf of Management,



John Wright
President and Chief Executive Officer
February 6, 2004

W. Davern Jones
Vice-President and Chief Financial Officer

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the consolidated statement of financial position of Saskatchewan Power Corporation as at December 31, 2003, and the consolidated statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants
Regina, Saskatchewan
February 6, 2004

Consolidated Statement of Income and Retained Earnings
(in millions)

For the year ended December 31	2003	2002 (Restated – Note 3)
Revenue		
Electric sales		
Saskatchewan	**$1,104**	$1,058
Export	**113**	43
Other	**26**	23
Total revenue	**1,243**	1,124
Expense		
Fuel and purchased power (Note 4)	**502**	366
Operating, maintenance and administration	**301**	286
Depreciation (Note 5)	**186**	167
Finance charges (Note 6)	**152**	147
Taxes (Note 7)	**29**	27
Total expense	**1,170**	993
Income before foreign exchange gains and equity investment income	**73**	131
Foreign exchange gains	**113**	6
Equity investment income	**1**	–
Net income	**187**	137
Retained earnings, beginning of year	**705**	650
Dividends	**(169)**	(82)
Retained earnings, end of year	**$ 723**	$ 705

See accompanying notes

Consolidated Statement of Financial Position

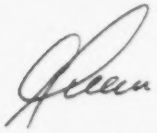
(in millions)

As at December 31	2003	2002 (Restated – Note 3)
Assets		
Current assets		
Cash and short-term investments (Note 8)	$ 4	$ 93
Accounts receivable and unbilled revenue	157	151
Materials, fuel and supplies	116	104
	277	348
Property, plant and equipment (Note 9)		
Property, plant and equipment	5,555	5,171
Less: Accumulated depreciation	2,356	2,196
	3,199	2,975
Construction in progress	61	215
	3,260	3,190
Other assets (Note 10)	73	91
Total assets	$3,610	$3,629
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 173	$ 176
Accrued interest	45	49
Short-term advance (Note 11)	30	–
Current portion of long-term debt (Note 12)	75	168
Dividend payable	95	19
	418	412
Long-term debt (Note 12)	1,696	1,718
Other liabilities (Note 13)	113	134
Total liabilities	2,227	2,264
Equity		
Equity advances (Note 14)	660	660
Retained earnings	723	705
Total equity	1,383	1,365
Total liabilities and equity	$3,610	$3,629

Commitments and contingencies (Note 16)

See accompanying notes

On behalf of the Board:



Patricia A. G. Quaroni
Acting Chair

V. Lynne Pearson
Director

Consolidated Statement of Cash Flows
(in millions)

For the year ended December 31	2003	2002 (Restated – Note 3)
Operating activities		
Net income	**$ 187**	$ 137
Add (deduct) items not involving cash:		
Depreciation	**186**	167
Foreign exchange gains	**(113)**	(6)
Defined benefit pension plan expense (income)	**3**	(8)
Sinking fund earnings	**(9)**	(9)
Equity investment income	**(1)**	–
Operating cash flow	**253**	281
Net change in non-cash working capital (Note 17)	**(53)**	(19)
Cash provided by operating activities	**200**	262
Investing activities		
Property, plant and equipment	**(253)**	(282)
Equity investment	**(2)**	(8)
Cash used in investing activities	**(255)**	(290)
Decrease in cash before financing activities	**(55)**	(28)
Financing activities		
Advances from the Province of Saskatchewan		
Canadian dollar denominated debt – proceeds	**200**	–
– repayment	**(73)**	–
United States dollar denominated debt – repayment	**(69)**	–
Short-term advance – proceeds	**30**	–
Non-recourse debt	**–**	6
Sinking fund installments net of redemptions	**(4)**	(15)
Debt premium and issue costs	**5**	–
Dividends paid	**(93)**	(70)
Long-term agreements payable	**(30)**	(3)
Cash used in financing activities	**(34)**	(82)
Decrease in cash and short-term investments	**(89)**	(110)
Cash and short-term investments, beginning of year	**93**	203
Cash and short-term investments, end of year	**$ 4**	$ 93
Supplemental information:		
Cash paid for interest	**$ 161**	$ 165
Cash paid for grants-in-lieu of taxes	**13**	13
Cash paid for capital tax	**14**	13

See accompanying notes

1. Status of the Corporation

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially-owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. The Corporation was established by *The Power Corporation Act*, passed on April 8, 1950.

By virtue of *The Crown Corporations Act*, 1993, SaskPower has been designated a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, SaskPower is not subject to federal income tax, provincial income tax or federal large corporations tax.

2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Actual results could differ from those estimates which may impact the actual results reported in future periods.

The following accounting policies are considered significant:

(a) Consolidation and Investments

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, NorthPoint Energy Solutions Inc. (NorthPoint), Power Greenhouses Inc. (Shand Greenhouse), and SaskPower International Inc. (SaskPower International). All inter-company transactions have been eliminated on consolidation. Separate audited financial statements are prepared for each subsidiary.

The Corporation accounts for its joint venture interests using the proportionate consolidation method.

The Corporation accounts for investments over which it exerts significant influence using the equity method. The investment is initially recorded at cost and the carrying value adjusted thereafter to include the Corporation's proportionate share of post acquisition earnings of the investment.

(b) Short-Term Investments

Short-term investments have an average maturity date of 90 days or less from the date of acquisition. These investments are carried at cost which approximates market value.

(c) Materials, Fuel and Supplies

Maintenance materials, fuel, supplies and plant repair parts are recorded at average cost. Materials are charged to inventory when purchased and then expensed or capitalized when installed.

(d) Property, Plant and Equipment

Property, plant and equipment is recorded at cost and includes material, direct labour, overhead costs and interest. The Corporation capitalizes interest on capital invested in projects that are under construction.

Costs are capitalized provided there is reasonable certainty they will provide benefits into the future. Significant renewals and enhancements to existing assets are capitalized only if the service life of the asset is increased; physical output, service capacity or quality is improved above original design standards; or operating costs are reduced by a substantial and quantifiable amount. Maintenance and repair costs are expensed as incurred.

Contributions in aid of construction are funds received from certain customers toward the costs of service extensions. Contributions are netted against property, plant and equipment, and are amortized over the estimated service life of the related asset.

Assets under construction are recorded as construction in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment.

(e) Depreciation

Depreciation is calculated on a straight-line basis over the estimated service life of the related asset. Estimated service lives of the assets are periodically reviewed and any changes are applied prospectively. In accordance with industry practice, depletion on long-term coal properties is calculated using the unit of production method based on estimated proven reserves.

The average estimated service life of new assets for the major categories of property, plant and equipment are:

Asset	Average Service Life in Years
Generation:	
Coal	30 years
Natural gas	24 years
Hydro	50 years
Cogeneration	30 years
Transmission	35 – 50 years
Distribution	35 – 40 years
Other	3 – 50 years

Depreciation expense also includes the gain or loss on both the complete and partial disposal of assets and accretion expense on asset retirement obligations discussed in *Note (f)*.

(f) Asset Retirement Obligations

Under the new Canadian Institute of Chartered Accountants (CICA) section 3110 "Asset Retirement Obligations," an asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes the fair value (net present value) of legal obligations to decommission coal, gas and wind generation facilities in the period in which the facility is commissioned. The fair value of the estimated asset retirement costs is recorded as a liability in other liabilities with an offsetting amount capitalized and included as part of property, plant and equipment. A reasonable estimate of fair value for the transmission, distribution and hydro generation assets cannot be determined as these assets are expected to be maintained and operated indefinitely. Therefore, no obligation has been recorded.

The asset retirement obligations are increased annually for the passage of time by calculating accretion (interest) on the liability while the offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset. The accretion expense is calculated using an interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included with depreciation expense. *(See Note 13)*

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and estimates of future inflation.

Asset retirement obligations are revised periodically in accordance with changes in assumptions and estimates underlying the calculations and with experience arising from the removal of property, plant and equipment. Changes are recognized as an increase or decrease in the carrying amount of the liability for the asset retirement obligation and the related asset retirement cost. Due to the long-term nature of the assumptions made in deriving these estimates, there could be a material adjustment to income in future reported periods. *(See Note 3 regarding change in accounting policy)*

(g) Environmental Remediation Liabilities

Environmental remediation liabilities are accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations, remediation, operations, maintenance and monitoring at identified sites. These liabilities are based on current environmental laws and regulations and the estimates have been recorded at undiscounted amounts. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis.

(h) Financial Instruments

Financial instruments (derivatives) are utilized by the Corporation to reduce foreign currency and natural gas price exposure. The Corporation utilizes hedge accounting to record gains and losses relating to derivatives that are designated as hedges. Under hedge accounting, gains and losses are deferred and recognized in the same period and financial statement category as the related items hedged. The Corporation does not enter into financial instruments for trading or speculative purposes.

Effective January 1, 2004, the Corporation will be formally adopting CICA accounting guideline, "Hedging Relationships." In order to qualify for hedge accounting, the derivatives must be designated by management as being a hedge and must be effective. The Corporation designates derivatives as being a hedge through the formal documentation of all relationships between hedging instruments and hedged items, as well as by its risk management policy and strategy for undertaking various hedge transactions. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or anticipated transactions.

Management ensures the hedge effectiveness for foreign currency derivatives is achieved by matching (both at inception and over the term of the instrument) as the term to maturity, the (notional) principal amount and the interest rate basis in the instruments to the terms of the debt instrument being hedged. With respect to natural gas hedges, the Corporation assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in the gas hedging transactions are highly effective in offsetting changes in the cash flows of hedged items. Upon adoption of the accounting guideline, there is no impact on the consolidated financial statements of the Corporation.

(i) Foreign Currency Translation

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated using the exchange rate in effect on the balance sheet date. Any resulting foreign currency translation gains and losses are included in the consolidated statement of income in the current period.

(j) Revenue Recognition

Electrical revenue is recognized upon delivery to the customer and includes an estimate of electrical deliveries not yet billed at year-end. Revenues are reported on a gross basis unless the Corporation is acting in the capacity of an agent or a broker, in which case revenues are recorded net of purchases. Through its subsidiary NorthPoint, SaskPower acts as a principal in energy marketing transactions taking title to the energy purchased for resale and assuming the risks and rewards of ownership. Therefore, energy marketing revenues are recorded on a gross basis.

(k) Debt Premium and Issue Costs

Debt premium and issue costs are amortized on a straight-line basis over the term of the respective debt issue and are included in other assets or liabilities as appropriate.

(l) Employees' Future Benefits

The Corporation provides pension plans for all eligible employees, including a defined contribution pension plan and a defined benefit pension plan. The defined benefit pension plan is governed by *The Superannuation (Supplementary Provisions) Act* and *Regulations*, as well as *The Power Corporation Superannuation Act*. The defined contribution pension plan is governed by *The Public Employees Pension Plan Act* and *Regulations* and certain sections of *The Superannuation (Supplementary Provisions) Act* and *Regulations*.

Under the defined contribution pension plan, the Corporation's obligations are limited to contributions made for current service. When made, these contributions are charged to income.

The defined benefit pension plan, substantially closed to new members since 1977, provides benefits based on the average of the highest five years' salary and years of service. At the discretion of the Lieutenant Governor in Council, pensions may be increased annually up to the rate of increase in the Consumer Price Index. The cost of pension benefits under this Plan is actuarially determined using the projected benefit method prorated on service. It reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing up to the rate of inflation. Market rates are used to measure the accrued benefit obligation and fair value to measure the pension plan assets. The estimated transitional asset that resulted from the adoption of the CICA Handbook Section 3461 is being amortized over the average remaining service life of the employees in the Plan. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service life of the employees in the Plan.

The Corporation provides severance plans for all eligible employees, including a defined contribution and defined benefit severance plans. Under the defined contribution severance plan, SaskPower's obligations are limited to contributions made for current service. The cost of severance benefits under the defined benefit severance plans is determined using the projected benefit method prorated on service and reflects management's best estimates of future wages, number of eligible employees and average age at retirement. The estimated transitional obligation that resulted from the adoption of CICA Handbook 3461 is being amortized over the average remaining service life of the employees in the Plan.

The Corporation provides a supplementary superannuation plan for certain management employees who elect to forego their entitlement to banked days off. SaskPower's current period expense is limited to yearly notional contributions to the plan based upon the employee's salary and an amount allocated for interest on the employee's plan balance.

The Corporation also provides lifetime superannuation allowances and bridge allowances to employees who choose to retire under various early retirement options. The cost of these benefits is actuarially determined by calculating the present value of all future benefit entitlements.

3. Change in Accounting Policy (in millions)

Prior to 2003, SaskPower recognized a future asset removal and site restoration provision for the estimated future costs of permanently decommissioning generation, transmission and distribution facilities in accordance with previous recommendations of the CICA and industry practice. Under this method, the Corporation recognized the costs of decommissioning evenly (on a straight-line basis) over the estimated useful lives of the assets.

Effective January 1, 2003, SaskPower early adopted the new CICA section 3110 "Asset Retirement Obligations." Under the new section, the Corporation is required to recognize the fair value (net present value) of the total estimated future decommissioning costs when the assets are put into service.

Accordingly, SaskPower recorded an asset retirement obligation for all coal, gas and wind generation facilities, as the Corporation is required to remove the facilities at the end of their useful lives and restore the plant sites to their original condition. It is the Corporation's position that an obligation continues to exist for the decommissioning of the transmission, distribution and hydro generation facilities. However, as these assets are expected to be maintained and operated indefinitely, the present value of estimated future cash flows could not be calculated. Therefore, an asset retirement obligation has not been recorded for these assets. Undiscounted costs previously recorded for the decommissioning of these assets have been reduced with an adjustment to opening retained earnings. The effect of this change in accounting policy was recorded retroactively with a restatement of prior periods.

This change in accounting policy impacted the financial results in 2003 resulting in a $10 decrease in depreciation, a $10 increase to net income and a $10 adjustment to retained earnings. The cumulative impact on retained earnings as at December 31, 2003, is $190. The impact of this change in accounting policy in the prior year was:

	2002
Impact of Accounting Change Increase/(Decrease)	
Depreciation	$ (10)
Net income	10
Property, plant and equipment, net	5
Accounts payable and accrued liabilities	(1)
Other liabilities	(174)
Retained earnings, beginning of year	170
Retained earnings, end of year	180

4. Fuel and purchased power (in millions)

	2003	2002
Coal-fired generation	**$164**	$161
Natural gas generation	**85**	58
Hydro generation	**10**	8
Purchased power – Saskatchewan suppliers	**189**	87
Imports – external suppliers	**54**	52
	$502	$366

Purchased power includes the cost of electricity obtained through power purchase agreements with suppliers that have facilities located within Saskatchewan. This includes the Cory Cogeneration Station, in which the Corporation, through its subsidiary SaskPower International, holds a 50% ownership interest. Imports are electricity purchased from suppliers that have power plants located outside Saskatchewan.

5. Depreciation (in millions)

	2003	2002
		(Restated – Note 3)
Depreciation expense	**$194**	$175
Accretion expense	**1**	1
Amortization of contributions in aid of construction	**(9)**	(9)
	$186	$167

6. Finance Charges (in millions)

	2003	2002
		(Restated – Note 3)
Interest on long-term debt	**$165**	$169
Other interest and charges	**3**	4
Less: Sinking fund earnings	**(9)**	(9)
Interest income	**(4)**	(5)
Capitalized interest	**(3)**	(12)
	$152	$147

7. Taxes (in millions)

	2003	2002
Grants-in-lieu of taxes to 13 cities	**$ 14**	$ 13
Saskatchewan corporate capital tax	**14**	13
Other	**1**	1
	$ 29	$ 27

In addition to the above, SaskPower collected a municipal surcharge on behalf of 431 Saskatchewan cities, towns and villages from customers and remitted $35 (2002 – $34) to local governments pursuant to Section 36 of *The Power Corporation Act*. Also, in 2003, SaskPower paid $13 (2002 – $11) of provincial sales tax to the Province of Saskatchewan.

8. Cash and Short-Term Investments (in millions)

	2003	2002
Cash	**$ 4**	$ 5
Short-term investments	**–**	88
	$ 4	$ 93

In 2003, investments earned interest at rates ranging from 2.72% to 3.46% per annum. In 2002, investments earned interest at rates ranging from 2.78% to 3.14% per annum.

9. Property, Plant and Equipment (in millions)

	2003				2002 (Restated – Note 3)			
	Cost	**Accumulated Depreciation**	**Construction in Progress**	**Net Book Value**	Cost	Accumulated Depreciation	Construction in Progress	Net Book Value
Generation	**$2,794**	**$1,247**	**$17**	**$1,564**	$2,666	$1,165	$ 38	$1,539
Cogeneration	**134**	**4**	**–**	**130**	–	–	128	128
Transmission	**621**	**251**	**7**	**377**	594	239	25	380
Distribution	**1,588**	**614**	**7**	**981**	1,506	570	12	948
Other	**418**	**240**	**30**	**208**	405	222	12	195
	$5,555	**$2,356**	**$61**	**$3,260**	$5,171	$2,196	$215	$3,190

Included in the above amounts are unamortized customer contributions of $241 (2002 – $239).

10. Other Assets (in millions)

	2003	2002
Investment in MRM Cogeneration Station	**$ 25**	$ 22
Cross-currency swaps *	**–**	21
Debt issue costs	**2**	3
Defined benefit pension asset	**18**	21
Carbon offsets	**5**	5
Deferred assets and prepaid expense	**23**	19
	$ 73	$ 91

* Cross-currency swaps were reclassified to other liabilities in 2003.

MRM Cogeneration Station

In 2001, the Corporation, through its subsidiary SaskPower International, acquired an ownership interest in the MRM Cogeneration Station. The 170-MW natural gas-fired cogeneration facility is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta. The cogeneration station commenced commercial operations in January 2003.

Ownership interests in the MRM Cogeneration Station are as follows:

ATCO Power Canada Ltd.	56%
SaskPower International Inc.	30%
ATCO Resources Ltd.	14%

11. Short-Term Advance (in millions)

Date of Issue	Date of Maturity	Interest Rate (%)	Currency	Outstanding Amount (in millions)
December 31, 2003	January 7, 2004	2.75%	Canadian Dollar	$30

The short-term advance is due to the Province of Saskatchewan's General Revenue Fund. The Corporation also has a credit facility established with financial institutions up to $75 (2002 – $75).

12. Long-Term Debt (in millions)

SaskPower's gross debt consists of $1,794 of recourse debt and $97 of non-recourse debt. The recourse debt is comprised of advances from the Province of Saskatchewan, substantially all of which have annual sinking fund requirements. The non-recourse debt is used to finance the Cory Cogeneration Station. Under the terms of this debt, lenders have recourse limited to the Station's assets.

Long-Term Debt Repayment Schedule and Details of Debt

	2003			2002		
	Principal Outstanding		Average	Principal Outstanding		Average
Years to Maturity	United States Dollars	Canadian Dollars	Interest Rate (%)	United States Dollars	Canadian Dollars	Interest Rate (%)
Recourse debt						
Advances from the Province of Saskatchewan						
Canadian dollar denominated debt						
1-5 years		$ 316	10.96		$ 315	11.30
6-10 years		3	9.22		77	10.01
16-20 years		240	9.60		–	
21-25 years		100	8.75		340	9.35
26-30 years		400	6.25		200	6.40
		1,059	8.66		932	9.43
United States dollar denominated debt						
1-5 years	$ 194	250	7.13	$ 50	79	6.63
6-10 years	75	97	7.38	194	306	7.13
11-15 years	–	–		75	119	7.38
16-20 years	300	388	8.79	300	474	8.79
	569	735	8.04	619	978	7.92
Gross recourse debt		1,794			1,910	
Non-recourse debt						
1-25 years		97	7.37		97	7.37
Gross non-recourse debt		97			97	
Gross debt		1,891			2,007	
Less sinking fund balances:						
Canadian dollar balances		(55)			(46)	
United States dollar balances	(50)	(65)		(48)	(75)	
		(120)			(121)	
Long-term debt, net of sinking funds		1,771			1,886	
Less current portion of long-term debt:						
Long-term debt due within one year		(60)			(153)	
Sinking fund installments due within one year		(15)			(15)	
		(75)			(168)	
Long-term debt		$1,696			$1,718	

Advances from the Province of Saskatchewan

Date of Issue	Date of Maturity	Interest Rate (%)	Currency	Outstanding Amount (in millions)
April 2, 1984 to October 4, 1984	April 2, 2004 to October 4, 2004	12.60 to 14.06	Canadian Dollar	$ 58
January 10, 1985 to December 1, 1989	January 10, 2005 to December 1, 2009	9.12 to 12.57	Canadian Dollar	261
February 4, 1992	February 4, 2022	9.60	Canadian Dollar	240
May 30, 1995	May 30, 2025	8.75	Canadian Dollar	100
August 8, 2001	September 5, 2031	6.40	Canadian Dollar	200
January 15, 2003	September 5, 2031	6.40	Canadian Dollar	100
May 12, 2003	September 5, 2033	5.80	Canadian Dollar	100
				$1,059
March 15, 1993	March 15, 2008	7.13	United States Dollar	$ 194
July 20, 1993	July 15, 2013	7.38	United States Dollar	75
December 20, 1990	December 15, 2020	9.38	United States Dollar	100
July 21, 1992	July 15, 2022	8.50	United States Dollar	200
				$ 569

Non-recourse debt

Date of Issue	Date of Maturity	Interest Rate (%)	Currency	Outstanding Amount (in millions)
April 26, 2001	March 31, 2004 to December 31, 2025	7.59	Canadian Dollar	$49
April 26, 2001	September 30, 2004 to June 30, 2026	7.60	Canadian Dollar	42
October 4, 2002	March 31, 2004 to December 31, 2011	B.A.* + 1.13	Canadian Dollar	6
				$97

**A Bankers Acceptance is an instrument that is created by a non-financial firm and accepted and guaranteed by the bank. This rate is based on the average rates from eight Canadian Banks with the high and low rates omitted from the average.*

As at December 31, 2003, scheduled debt retirement requirements for the next five years are as follows (in millions):

	2004	2005	2006	2007	2008
Recourse debt	$58	$72	$49	$63	$324
Non-recourse debt	2	3	3	3	3
	$60	$75	$52	$66	$327

Sinking Funds

Under conditions attached to certain advances from the Province of Saskatchewan, the Corporation is required to pay annually into sinking funds administered by Saskatchewan Finance, amounts at least equal to 1% of certain debt outstanding. As at December 31, 2003, scheduled sinking fund installments for the next five years are as follows (in millions):

	2004	2005	2006	2007	2008
Sinking fund annual contribution	$15	$15	$15	$15	$15

13. Other Liabilities (in millions)

	2003	2002 (Restated – Note 3)
Asset retirement obligations	**$ 27**	$ 25
Environmental remediation liabilities	**54**	52
Long-term agreements payable	**–**	51
Cross-currency swaps	**22**	–
Employees' future benefits	**6**	6
Debt premium	**4**	–
	$113	$134

Asset retirement obligations (in millions)

A reconciliation between the opening and closing asset retirement obligation balances is provided below:

	2003	2002
Asset retirement obligations, beginning of year	**$ 25**	$ 24
Liabilities incurred in the period	**1**	–
Liabilities settled in the period	**–**	–
Accretion expense	**1**	1
Asset retirement obligations, end of year	**$ 27**	$ 25

SaskPower estimates the undiscounted amount of cash flows required to settle the asset retirement obligation is approximately $119, which will be incurred between 2007 and 2042. The majority of these costs will be incurred between 2027 and 2036. Discount rates between 5.25 and 5.75% were used to calculate the carrying value of the asset retirement obligation. No funds have been set aside by the Corporation to settle the asset retirement obligations.

Long-term agreements payable (in millions)

Included in long-term agreements payable is a long-term service contract, signed in 1986, wherein the Corporation purchased certain assets from a customer at a cost of $39 plus interest at 11% per year. The customer is required to purchase a minimum amount of electricity with consumption in excess of this amount applied to outstanding interest and principal at a rate of 85% of the revenue received. In 2003, the remaining liability of $13 was reclassified to current accounts payable and accrued liabilities as the terms of the agreement will be completed by the end of 2004.

14. Equity Advances

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

15. Financial Risk Management

By virtue of its operations, the Corporation is exposed to changes in the United States/Canadian dollar exchange rate, the price of natural gas and interest rates. The Corporation utilizes a number of financial instruments to manage these exposures. Financial instruments are not used for trading or speculative purposes. The Corporation mitigates risk associated with these financial instruments through Board-approved policies; limits on use and amount of exposure; internal monitoring; and compliance reporting to senior management and the Board.

Foreign Exchange Risk

The Corporation has an exposure to the United States/Canadian dollar exchange rate primarily through the long-term United States denominated debt that has been incurred by the Corporation. This risk includes exposure to fluctuations in both the principal and coupon payments associated with the United States denominated debt. The Corporation utilizes cross-currency swaps and coupon swaps to offer protection from fluctuations on a portion of this debt that is due in the future.

Gas Price Risk

The Corporation is exposed to gas price risk through gas purchased for its gas-fired power plants and through the gas purchased for use in certain power purchase agreements. As at December 31, 2003, the Corporation had entered into a series of natural gas contracts to manage the price risk of natural gas.

Interest Rate Risk

The Corporation is exposed to interest rate risk on the maturity of its long-term debt, however this risk is considered low. As a result, the Corporation had no financial contracts in place to offset interest rate risk as of December 31, 2003.

Credit Risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

SaskPower's credit risk relates to customer accounts receivable and unbilled revenue, short-term investments, and counterparties to financial hedges and commodity transactions. Customer accounts receivable and unbilled revenue is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan. In addition, the Corporation maintains Board-approved credit policies and limits in respect to short-term investments and counterparties.

Financial Instruments

The fair value of the Corporation's financial instruments reflect market estimates of the amount that the Corporation would pay or receive to terminate contracts at the end of the year. They are not a result of market transactions. Changes in assumptions, economic conditions and other factors could cause significant changes in the fair value estimates. The following summarizes the fair value of the Corporation's financial instruments at year-end (in millions):

At December 31, 2003	**Notional Principal**		**Fair Value Asset (Liability)**		**Repricing or Maturity Date**
	United States Dollars	**Canadian Dollars**	**United States Dollars**	**Canadian Dollars**	
Cross-currency swaps	**$345**	**$468**	**$(23)**	**$(30)**	**2008-2022**
Foreign exchange contracts	**17**	**22**	**(1)**	**(2)**	**2004**
Natural gas contracts	**–**	**–**	**–**	**4**	**2004-2005**
Total	**$362**	**$490**	**$(24)**	**$(28)**	

At December 31, 2002	Notional Principal		Fair Value Asset (Liability)		Repricing or Maturity Date
	United States Dollars	Canadian Dollars	United States Dollars	Canadian Dollars	
Coupon swaps	$ 8	$ 11	$ –	$ –	2003
Cross-currency swaps	112	155	18	29	2003-2008
Foreign exchange contracts	6	10	–	–	2003
Natural gas contracts	–	–	–	6	2003
Total	$126	$176	$ 18	$ 35	

The following is a comparison of the balance sheet carrying values and fair values of debt, long-term agreements payable, sinking funds, cross-currency and coupon swaps:

At December 31, 2003	2003		2002	
	Asset (Liability)		Asset (Liability)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Gross recourse debt	$(1,794)	$(2,241)	$(1,910)	$(2,419)
Non-recourse debt	(97)	(105)	(97)	(101)
Long-term agreements payable	–	–	(51)	(47)
Sinking funds	120	125	121	123
Cross-currency and coupon swaps	(22)	(30)	21	29

Fair values are determined as follows:

(a) Long-term debt instruments are valued at year-end market prices for similar instruments;

(b) Long-term agreements payable are valued at the present value of future cash flows discounted at SaskPower's weighted average cost of capital;

(c) Sinking funds, cross-currency swaps and coupon swaps are valued at closing year-end market rates; and

(d) Other financial instruments including cash and short-term investments, accounts receivable and unbilled revenue, accounts payable and accrued liabilities and dividends payable approximate fair value due to the short period to maturity.

16. Commitments and Contingencies (in millions)

(a) The Corporation has entered into power purchase agreements expected to cost $4,800 until 2027 and provide approximately 449 MW generating capacity.

(b) At 2003 prices, the Corporation also had forward commitments of $1,768 (2002 – $1,964) extending up to 21 years for future coal minimum deliveries. As part of the forward coal commitments, the Corporation is contingently liable for the following:

(i) lease payments for mining equipment that was transferred to the purchaser of a mining operation through a licensing agreement. The lease has an initial term of 25 years and expires in 2004. Subsequent to year-end, the Corporation has agreed to purchase the mining equipment at its prevailing fair value; and

(ii) a promissory note due in 2004 which arose from the sale of a coal mine and certain mining equipment.

(c) The Corporation has guaranteed $21 (2002 – $17) of energy savings to various customers through SaskPower's energy performance contracts. An energy performance contract is a comprehensive facility improvement program designed to enhance the facilities of the customer while permanently reducing utility costs. These guarantees are offset by third party guarantees to SaskPower that ensure the energy savings are realized.

(d) At year-end, SaskPower through its subsidiary, NorthPoint, has committed to 2004 electricity sales of $2 (2003 – $1) and 2004 electricity purchases of $1 (2003 – $1).

(e) The Corporation has issued letters of credit and promissory notes in the amount of $3 (2002 – $5).

(f) Due to the size, complexity and nature of SaskPower operations, various legal matters are pending. In the opinion of management, these matters will not have a material effect on SaskPower's consolidated financial position or results of operations.

17. Net Change in Non-Cash Working Capital (in millions)

	2003	2002
Accounts receivable and unbilled revenue	$ (6)	$ (9)
Materials, fuel and supplies	(12)	1
Deferred assets and prepaid expense	2	(3)
Accounts payable and accrued liabilities *	(33)	(8)
Accrued interest	(4)	–
	$(53)	$(19)

* Included in accounts payable and accrued liabilities are long-term agreements payable which were reclassified from other liabilities in 2003.

18. Joint Ventures (in millions)

(a) In 2000, the Corporation, through its subsidiary SaskPower International, entered into agreements for a 50% interest in an unincorporated joint venture with ATCO Power Canada Ltd. to construct a 228-MW natural gas-fired cogeneration plant (the "Cory Cogeneration Station") near Saskatoon, Saskatchewan.

(b) The Corporation holds a 50% interest in Cory Cogeneration Funding Corporation (CCFC). CCFC was incorporated pursuant to *The Business Corporations Act* (Saskatchewan) effective November 19, 1999, and was registered with the Province of Alberta on December 18, 2000. CCFC is a special purpose company established by the Corporation and ATCO Power Canada Ltd. (the Owners) to borrow long-term, non-recourse debt to finance the Cory Cogeneration Station. CCFC will act as agents for the Owners, receiving revenues, disbursing costs (including debt service) and distributing proceeds to the Owners.

(c) The Corporation holds a 14% interest in Canadian Power Consultants (CPC). CPC was formed in 2002, with AMEC E&C Services Limited and Acres International Limited, for the purpose of providing services under a consulting contract with Canadian International Development Agency (CIDA).

(d) The Corporation's interest in joint ventures is summarized below:

	2003	2002
Statement of income		
Revenue	**$ 16**	$ –
Operating, maintenance and administration	**(4)**	–
Depreciation	**(4)**	–
Interest	**(7)**	–
Income from joint ventures	**$ 1**	$ –
Statement of financial position		
Current assets	**$ 8**	$ 4
Property, plant and equipment	**130**	128
Debt issue costs	**2**	2
Current liabilities	**(4)**	(6)
Non-recourse long-term debt	**(95)**	(96)
Investment in joint ventures	**$ 41**	$ 32
Statement of cash flows		
Operating activities	**$ 5**	$ –
Investing activities	**(12)**	(55)
Financing activities	**8**	38
Increase (decrease) in cash	**$ 1**	$ (17)

Current assets include cash of $6 (2002 – $4) which is only available for use within the joint ventures.

19. Related Party Transactions (in millions)

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year-end are as follows:

	2003	2002
Accounts receivable and unbilled revenue	**$ 3**	$ 1
Accounts payable and accrued liabilities	**3**	5
Accrued interest	**44**	49
Revenue	**49**	48
Expense	**55**	45

Other amounts due to/from related parties and the terms of settlement are described separately in these consolidated financial statements and notes thereto.

20. Employees' Future Benefits (in millions)

Defined Benefit Pension Plan

The Corporation sponsors a defined benefit pension plan (the Plan) and uses the balance sheet date as at September 30 as the measurement date. An annual actuarial valuation showed that the Plan had an actuarial deficit of $53 (2002 – $47). The decline in the funded status of the Plan was primarily due to a change in the discount rate. The calculation of the pension plan deficit is as follows:

	2003	2002
Plan assets		
Fair value, beginning of year	**$625**	$667
Actual return on plan assets	**60**	(6)
Funding contributions	**2**	2
Benefits paid	**(39)**	(38)
Fair value, end of year	**648**	625
Accrued benefit obligation		
Balance, beginning of year	**672**	638
Current service cost	**7**	7
Interest cost	**42**	42
Benefits paid	**(39)**	(38)
Actuarial loss	**19**	22
Plan amendments	**–**	1
Balance, end of year	**701**	672
Funded status – Plan deficit	**$ (53)**	$ (47)

For accounting purposes, an asset of $18 (2002 – $21) has been recorded on SaskPower's statement of financial position. The difference between the value reported as the funded status of the Plan and the value recorded on SaskPower's statement of financial position is due to the CICA requirement to base the valuation of the Plan for accounting purposes on long-term actuarial assumptions rather than on actual experience. This requirement is based upon the idea of smoothing gains or losses over the estimated average remaining service life of the Plan participants. This prevents large swings in net income due to fluctuations in the market value of the Plan.

Below is a reconciliation of the funded status of the Plan and the value of the Plan recorded on SaskPower's statement of financial position. The most significant reconciling item is the unamortized net actuarial loss. This loss is made up of the accumulated difference between the actual returns and obligations of the Plan and the expected returns and obligations of the Plan based upon the long-term actuarial assumptions.

The asset recorded on the statement of financial position represents the surplus based on long-term actuarial assumptions. It does not represent cash or investments held by the Corporation outside of the Plan.

	2003	2002
Defined benefit pension asset recorded on the statement of financial position	**$ 18**	$ 21
Less unamortized net actuarial loss not yet recorded	**(89)**	(91)
Less unamortized past service costs	**(1)**	(1)
Plus unamortized transitional asset resulting from the introduction of Section 3461*	**19**	24
Funded status – Plan deficit	**$ (53)**	$ (47)

** Canadian Institute of Chartered Accountants Handbook Section 3461 – "employee future benefits"*

Applying the same long-term assumptions used to calculate the defined benefit pension asset, the Corporation recorded non-cash pension expense of $3 (2002 – ($8)). This amount was charged to the Corporation's operation, maintenance and administration expense. The following is a summary of the calculation of the pension expense.

	2003	2002
SaskPower's share of the current service cost	**$ 5**	$ 5
Interest cost	**42**	42
Expected return on plan assets	**(43)**	(50)
Amortization of net actuarial loss	**4**	–
Amortization of transitional asset	**(5)**	(5)
Pension expense (income) recorded on the statement of income	**$ 3**	$ (8)

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation at September 30 are:

	2003	2002
Discount rate	**6.50%**	6.75%
Expected long-term rate of return on plan assets	**7.20%**	7.60%
Long-term rate of compensation increases	**4.00%**	4.00%
Remaining service life (years)	**5.75**	6.31
Long-term inflation rate	**3.00%**	3.00%
Assumptions for ad hoc increases (percentage of CPI)	**50.00%**	50.00%

The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by the CICA. Two of the most significant assumptions are the discount rate and expected long-term rate of return on plan assets. The discount rate has been lowered in 2003 to better reflect the spot yield for high-grade, long-term Canadian corporate bonds. The expected long-term rate of return on plan assets is based upon the asset mix of the Plan and expected returns for each asset class. The decrease from the previous valuation is attributed to lower expected long-term returns in all asset classes except bonds. The rate of return is calculated as follows:

Asset Class	Percentage of Asset Class	Expected Long-term Rate of Return
Bonds	45%	6.00%
Canadian equities	25%	8.50%
United States equities	10%	8.50%
International equities	20%	9.00%
Weighted average return		7.50%
Less investment expense		0.30%
		7.20%

Defined Contribution Pension Plan

Under the defined contribution pension plan, the Corporation's obligations are limited to the contributions for current services. These contributions are charged to income when made. The net expense for the defined contribution pension plan is as follows:

	2003	2002
Defined contribution pension plan	**$ 7**	$ 7

Other Benefit Plans

Other benefit plans include a defined benefit and a defined contribution severance plan, the supplementary superannuation plan and a voluntary early retirement plan.

	2003	2002
Present value of accrued benefits	**$(42)**	$(39)
Accrued benefit liability	**(23)**	(21)
Benefits paid	**(5)**	(5)
Expense	**7**	7

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations at September 30 are:

	2003	2002
Discount rate	**6.25%**	6.75%
Long-term rate of compensation increases	**4.00%**	4.00%
Remaining service life (years)	**12.17**	12.59

21. Subsequent Event

On January 14, 2004, the Corporation, through the Saskatchewan Department of Finance, borrowed an additional $200 million of long-term debt. The debt was issued with an interest rate of 5.80% and a maturity date of September 5, 2033. The impact on the financial statements is:

Statement of Financial Position Impact	December 31, 2003	January 14, 2004	Change
Cash and short-term investments	$ 4	$ 211	$207
Accrued interest	45	49	4
Other liabilities	113	116	3
Long-term debt	1,696	1,896	200

22. Comparative Figures

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

Five-Year Operating Summary

	2003	2002	2001	2000	1999
Number of Saskatchewan electric customers:					
Residential	**305,685**	303,317	301,165	300,250	297,072
Farm	**66,868**	67,317	67,551	67,821	68,096
Commercial	**52,656**	52,500	52,358	52,498	52,232
Oilfields	**11,180**	11,026	10,915	10,716	10,553
Power customers	**87**	72	70	70	69
Reseller	**2**	2	2	2	2
	436,478	434,234	432,061	431,357	428,024
Total electric sales (GW.h)					
Residential	**2,509**	2,457	2,386	2,344	2,317
Farm	**1,442**	1,367	1,386	1,305	1,293
Commercial	**3,151**	3,461	3,457	3,413	3,274
Oilfields	**2,082**	1,728	1,640	1,514	1,300
Power customers	**6,278**	5,722	5,839	6,090	6,044
Reseller	**1,287**	1,263	1,246	1,240	1,195
Saskatchewan electric sales	**16,749**	15,998	15,954	15,906	15,423
Exports	**1,761**	777	945	1,143	802
	18,510	16,775	16,899	17,049	16,225
Net electrical energy supplied (GW.h)					
Coal	**11,730**	11,670	11,711	11,436	11,551
Gas	**1,066**	989	798	924	995
Hydro	**3,416**	2,836	2,391	3,046	3,660
Wind	**20**	4	–	–	–
Imports and other	**1,142**	1,431	2,127	1,995	1,484
Purchased power	**2,952**	1,769	1,691	1,691	146
Gross electrical energy supplied	**20,326**	18,699	18,718	19,092	17,836
Losses and internal use	**(1,816)**	(1,924)	(1,819)	(2,043)	(1,611)
Net electrical energy supplied	**18,510**	16,775	16,899	17,049	16,225
Generating capacity (net MW)					
Coal	**1,653**	1,653	1,653	1,658	1,658
Gas	**539**	539	374	378	378
Hydro	**853**	853	853	853	853
Wind	**11**	6	–	–	–
Purchased power	**449**	221	221	221	221
	3,505	3,272	3,101	3,110	3,110
Number of permanent full-time employees	**2,376**	2,350	2,286	2,192	2,120
Transmission lines (km)	**12,104**	12,026	12,290	12,388	12,335
Distribution lines (km)	**140,733**	140,084	139,460	138,859	138,321
	152,837	152,110	151,750	151,247	150,656
Average annual usage per residential customer (kW.h)	**8,208**	8,100	7,923	7,807	7,799
Annual peak load (net MW)	**2,805**	2,800	2,691	2,822	2,709
Minimum load (net MW)	**1,501**	1,413	1,456	1,379	1,260
Summer peak load (net MW)	**2,666**	2,569	2,515	2,440	2,461

Five-Year Financial Summary

(in millions)

	2003	2002	2001	2000	1999
Net income:					
Revenue					
Saskatchewan	**$1,104**	$1,058	$ 994	$ 952	$ 915
Export	**113**	43	109	128	42
Other	**26**	23	23	21	20
Total revenue	**1,243**	1,124	1,126	1,101	977
Expense					
Fuel and purchased power	**502**	366	468	384	251
Operating, maintenance and administration	**301**	286	254	264	281
Depreciation	**186**	167	158	153	139
Finance charges	**152**	147	138	129	147
Taxes	**29**	27	26	24	24
Total expense	**1,170**	993	1,044	954	842
Income before foreign exchange gains (losses) and equity investment income	**73**	131	82	147	135
Foreign exchange gains (losses)	**113**	6	(43)	(27)	52
Equity investment income	**1**	–	–	–	–
Net income	**$ 187**	$ 137	$ 39	$ 120	$ 187
Property, plant and equipment:					
Property, plant and equipment	**$5,555**	$5,171	$4,849	$4,688	$4,547
Less: accumulated depreciation	**2,356**	2,196	2,043	1,901	1,761
	3,199	2,975	2,806	2,787	2,786
Construction in progress	**61**	215	268	97	47
	$3,260	$3,190	$3,074	$2,884	$2,833
Capital expenditures	**$ 267**	$ 305	$ 364	$ 210	$ 185
Debt at December 31:					
Recourse debt	**$1,794**	$1,910	$1,918	$1,661	$1,680
Non-recourse debt	**97**	97	91	–	–
Gross long-term debt	**1,891**	2,007	2,009	1,661	1,680
Less: Sinking fund balances	**(120)**	(121)	(98)	(77)	(137)
Long-term debt, net of sinking funds	**1,771**	1,886	1,911	1,584	1,543
Long-term debt due within one year	**(60)**	(153)	–	–	(55)
Sinking funds installments due within one year	**(15)**	(15)	(15)	(10)	(9)
Long-term debt	**$1,696**	$1,718	$1,896	$1,574	$1,479
Total equity	**$1,383**	$1,365	$1,310	$1,287	$1,236
Cash flows:					
Cash provided by operating activities	**$ 200**	$ 262	$ 245	$ 266	$ 265
Cash used in investing activities	**(255)**	(290)	(361)	(200)	(173)
Cash (used in) provided by financing activities	**(34)**	(82)	251	(43)	(71)
(Decrease) increase in cash position	**$ (89)**	$ (110)	$ 135	$ 23	$ 21

Overview

The process and structure used to direct and manage the business affairs of the Corporation, with the objective of enhancing shareholder value, are commonly referred to as corporate governance.

In 2003, the SaskPower Board of Directors completed an extensive review of governance and decision-making processes and practices within the Corporation. The Governance Committee of the Board commenced this review in 2002, with a view to streamlining decision making, as appropriate, and ensuring that directors have the appropriate information and analysis to make key decisions and direct the affairs of the Corporation.

In conducting the review of the existing systems, the Board directed that a cross-functional team be assembled to review existing approaches and make recommendations for improvements. The internal review committee conducted a detailed examination of practices and areas where improvements could be made and clearer understanding achieved. In addition, the committee engaged the services of the Conference Board of Canada to provide benchmarking with industry best practice.

The review resulted in a complete revamping of decision-making processes and approval levels of the Corporation. The delegation of authority to the CEO and management was clearly documented. A CEO responsibility mandate was adopted, as was a revised delegation of authority to management document. A subsidiary governance policy was also put into place. The reporting function of management was bolstered to ensure the Board has the information necessary to fulfill its duty to monitor performance and assess management's success in implementing the business and strategic initiatives of the Corporation and take corrective action where necessary.

Other governance initiatives in 2003 included revisiting the terms of reference for each of the Board's four committees as well as the Board of Directors' terms of reference. In addition, the Board reviewed the Code of Conduct Policy, which applies to SaskPower management employees and members of the Board.

The extensive work on governance in 2003 has resulted in a clearer understanding of approval levels and roles and responsibilities throughout the organization.

Authority

SaskPower is governed by *The Power Corporation Act* and is subject to the provisions of *The Crown Corporations Act, 1993*, which gives the Crown Investments Corporation of Saskatchewan, the holding company for Saskatchewan's commercial Crown corporations, the broad authority to set the direction of the Corporation.

Where required by legislation or policy directive, SaskPower submits performance management and investment decisions for review and approval by Crown Investments Corporation and the provincial cabinet. Through its chair, who is an outside director, the SaskPower Board of Directors is accountable to the Minister Responsible for SaskPower. The Minister functions as a link between the Corporation and cabinet, as well as the provincial legislature.

Role of Board of Directors

SaskPower's Board of Directors is responsible for setting direction, monitoring and reporting achievement, and analyzing, evaluating and taking corrective action for the Corporation. The Board is responsible for the stewardship of the Corporation in general terms. In meeting this responsibility, the Board works with management to develop and approve the Corporation's strategic plan, operating goals, annual budget and business plans. It participates in identifying business risk and overseeing the implementation of appropriate systems to achieve a balance between the risks identified and potential returns. The Board met 10 times during fiscal 2003.

Board Composition

SaskPower's Board of Directors is appointed by the Lieutenant Governor in Council pursuant to *The Power Corporation Act*. The Board consists of nine external directors, two directors appointed as representatives of the IBEW and CEP unions and not related to the management of the Corporation, and the President and CEO of the Corporation. Both the Chair and Vice-Chair of the Board are external directors.

Committees

The Board has four standing committees to assist in discharging specific areas of Board responsibility:

- Audit and Finance Committee
- Governance Committee
- Environment, Occupational Health and Safety Committee
- Human Resources/Compensation Committee

The full terms of reference of each of the committees as well as the Board of Directors can be found at the SaskPower web site (saskpower.com).

During 2003, the Board also utilized two ad hoc committees to assist in its work:

- Corporate Process Improvement Committee
- Vision ad hoc Committee

Audit and Finance Committee – Chair, V. Lynne Pearson

The Audit and Finance Committee's terms of reference mandate the Committee to assist the Board in meeting its responsibilities with respect to financial reporting, internal controls and accountability. The Committee oversees the risk management reporting of the Corporation and directly interacts with both the internal and external auditors. The Committee ensures that the Board is provided with financial plans, proposals and information that are consistent with the Corporation's overall strategic plan and public policy objectives. The Committee met nine times in 2003.

Governance Committee – Chair, Patricia Quaroni

The Governance Committee is responsible for the development, review and effectiveness of SaskPower's corporate governance practices. Its duties include monitoring and evaluating Board and individual director performance and the effectiveness of the Board committee structure. The Committee focused significant effort on the governance streamlining activity throughout 2003. The Committee met five times in 2003.

Environment, Occupational Health and Safety Committee – Chair, Keith Rissling

The Environment, Occupational Health and Safety Committee is charged with ensuring that the Corporation proactively addresses safety, health and environmental issues and is in compliance with regulatory and statutory requirements. The Committee held four meetings in the fiscal year.

Human Resources/Compensation Committee – Chair, Mel Watson

The Human Resources/Compensation Committee is charged with overseeing SaskPower's human resource strategies, programs and practices. The Committee met four times in the year.

Ad Hoc Committees

The Board also relies on the work of two committees, which were struck on an ad hoc basis to assist in its work. The Corporate Process Improvement Program was created in 2001 to position the Corporation to fully realize the benefits resulting from the implementation of the SAP Integrated System. The Corporate Process Improvement Committee, consisting of members of the Board working with senior management, reviews and monitors the activities of the program.

The focus of the program in 2003 continued to be on supporting the business units and realizing benefits. The critical component of this was the reporting of benefits in the annual business plan. In 2002, the Provincial Auditor reviewed SaskPower's process to measure and report on benefit realization. The review resulted in several recommendations that the Corporation has committed to address, as well as positive comments regarding progress the Corporation has made in this area.

The Committee concluded its work on December 31, 2003, with the submission of a final report that outlined accomplishments, lessons learned and future actions. SaskPower will continue to report in 2004 on benefits realization and progress in support of Provincial Auditor recommendations.

The Vision ad hoc Committee was formed to review SaskPower's vision statement. The Committee provided input to management regarding potential changes and recommended a process to involve employees in developing an updated vision statement in 2004.

Governance Practices

Since 2000, SaskPower has worked to benchmark its governance practices with industry best practice and to position it to be consistent with guidelines set forth by the Board of Governors of the Toronto Stock Exchange (TSX). These guidelines address key areas of effective corporate practice, including identification of responsibility for stewardship of the Corporation and a clear communication of roles and responsibilities between the Board and management. The following scorecard sets out SaskPower governance practice benchmarked against the TSX guidelines.

TSX Corporate Governance Committee's Guidelines (Summary)	SaskPower's Corporate Governance Practices	Consistent with TSX Guidelines?
1. The Board should explicitly assume responsibility for the stewardship of the Corporation, and specifically for:		
(a) The adoption of a strategic planning process.	The Board's terms of reference set out its responsibility to serve as steward of the Corporation. One of the central duties of the Board is working with senior management to approve its strategic plan, operating goals, budget and business plans.	Yes
(b) The identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage these risks.	The Board, in conjunction with senior management, identifies principal risks and oversees the implementation and effectiveness of risk management programs, and systems for managing areas of risk.	Yes
(c) Succession planning, including appointing, training and monitoring senior management.	The Human Resources/Compensation Committee of the Board actively monitors the succession planning initiative undertaken by the Corporation, coordinates the annual evaluation of the President and CEO, and monitors performance of senior management more generally.	Yes
(d) A communications policy for the Corporation.	Guidelines and policies have been implemented for a variety of communications activities. The Corporation is committed to the values of open communication and transparency in its communications with its shareholder, employees, stakeholders and the public.	Yes
(e) The integrity of the Corporation's internal control and management information systems.	The Audit and Finance Committee is responsible for the oversight of financial reporting brought forward by management as well as the internal controls and accountability of the Corporation. The Committee regularly reviews the integrity of financial information and risk management reporting systems. The Committee interacts with internal and external auditors in fulfilling this responsibility.	Yes

TSX Corporate Governance Committee's Guidelines (Summary)	SaskPower's Corporate Governance Practices	Consistent with TSX Guidelines?
2. (a) The Board should be constituted with a majority of individuals who qualify as "unrelated" directors. An unrelated director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholding.	There are 12 members on the SaskPower Board. The three internal directors are: **John Wright**, President and CEO; **Larry Braun**, President, CEP Local 649; **Neil Collins**, President, IBEW Local 2067. The other nine members are external unrelated directors. The unrelated directors are: **David Barnard**, Chair of the Board, President of the University of Regina; **Patricia Quaroni**, Vice-Chair of the Board, Lawyer and Partner with Olive Waller, Zinkhan & Waller law firm; **V. Lynne Pearson**, Dean of Commerce, University of Saskatchewan; **Marty Klyne**, independent business person; **Mel Watson**, owner of Watson Tractor; **Al Macatavish**, retired Vice-President of Manitoba Hydro; **Keith Rissling**, chartered accountant and independent business person; **Deb Schmidt**, independent business person; **Janet Wightman**, Executive Vice-President and Chief Operating Officer, Farm Credit Canada.	Yes
(b) The Board should disclose if the Corporation has a "significant shareholder" and how the Board reflects the interests of shareholders other than the significant shareholder.	SaskPower is a Crown corporation and does not have share capital.	N/A
3. The Board should disclose whether the Board has a majority of unrelated directors with an analysis of how this conclusion was reached.	Nine of the 12 directors are external and unrelated to management. None of the unrelated directors has received remuneration from the Corporation in excess of fees and compensation as directors and committee members of the Corporation and subsidiaries, nor have they engaged in material contracts to perform other services for the Corporation. Associates of one director have done work for the corporation. The individual director affected, however, had no involvement with or influence over the corporate decision to select their associates, and the fees involved were well below commonly accepted materiality thresholds.	Yes

TSX Corporate Governance Committee's Guidelines (Summary)	SaskPower's Corporate Governance Practices	Consistent with TSX Guidelines?
4. The Board should appoint a committee of directors composed exclusively of outside (i.e. non-management) directors, a majority of whom are unrelated, with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis.	Responsibility for proposing new Board nominees and assessing the effectiveness of the Board of Directors is mandated to the Governance Committee. The majority of members of the Governance Committee are outside directors. The sole employee of SaskPower on the Committee, Neil Collins, is a union nominee to the Board.	Yes
5. The Board should implement a process for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.	The Governance Committee has the responsibility for ensuring the effectiveness of Board decision-making processes. The Governance Committee coordinates a review of the committee structure of the Board, as well as the effectiveness of the Board and individual directors. The latter process is facilitated by an outside consultant who summarizes results of the evaluation for distribution to Board members and the Crown Investments Corporation.	Yes
6. The Board should provide an orientation and education program for new directors.	SaskPower provides an orientation program to new directors, as well as ongoing training opportunities highlighting particular industry-related issues and developments for all Board members. New Board members are provided with extensive orientation materials and a training program facilitated by Crown Investments Corporation.	Yes
7. The Board should examine its size with a view to facilitate more effective decision-making.	The Governance Committee of the Board is charged with the responsibility for reviewing the size of the Board as well as composition and effectiveness of various committees with a view to ensuring effective decision-making processes are in place.	Yes
8. The Board should review the adequacy and form of the compensation of directors to ensure the responsibilities and risks involved in being an effective director are reflected.	SaskPower's parent company, the Crown Investments Corporation, is legally mandated to set the remuneration rate for director fees and reimbursement of director expenses.	Yes
9. Board committees should generally be composed of outside (i.e. non-management) directors, a majority of whom are unrelated.	Most committees of the SaskPower Board are composed of a majority of directors who are outside directors and unrelated to the management of the Corporation. The President and CEO does not sit on any Standing committees. The only committee where there is an equal number of outside and inside directors is the Environment, Occupational Health and Safety Committee where both union representatives are active members.	Yes

TSX Corporate Governance Committee's Guidelines (Summary)	SaskPower's Corporate Governance Practices	Consistent with TSX Guidelines?
10. The Board should appoint a committee responsible for developing the corporation's approach to governance issues and these guidelines.	The Governance Committee of the Board is responsible for developing the Corporation's approach to governance issues and reviewing effectiveness of guidelines and processes.	Yes
11. (a) The Board should develop position descriptions for the Board and for the CEO, involving the definition of the limits to management's responsibilities.	The Board of Directors has established its own terms of reference, as well as position descriptions for individual Board members. A CEO position description was adopted by the Board in 2003, as was a comprehensive delegation of authority to management document.	Yes
(b) The Board should develop the corporate objectives, which the CEO is responsible for meeting.	On an annual basis, the Board of Directors provides the CEO with a mandate itemizing its expectations with respect to the corporate objectives which will be met over the following year. The CEO is evaluated against these expectations. The review is coordinated by the Human Resources Committee of the Board.	Yes
12. The Board should have in place appropriate structures and procedures to ensure that the Board can function independently of management.	The independence of the Board is ensured through the coordination of Board matters by the Chair, who is an outside and unrelated director. At each meeting of the Board of Directors, an in camera sess is held where the President and CEO, as well as senior management staff, are excused.	Yes
13. The audit committee of the Board should be composed only of outside directors and its roles and responsibilities should be specifically defined.	The Audit and Finance Committee of the Board is wholly composed of outside directors who are not related to the Corporation. The Committee has terms of reference that set out its roles and responsibilities specifically.	Yes
14. The Board should implement a system, which enables individual directors to engage outside advisers at the expense of the Corporation in appropriate circumstances.	Subject to the written approval of the Chair, an individual director or Board committee may engage outside advisers at the expense of the Corporation in the event there are matters in respect of which they require independent counsel.	Yes

SaskPower Board of Directors
(at December 31, 2003)

David T. Barnard
Chair of the Board
President
University of Regina
Regina, Saskatchewan

Larry Braun
President
CEP Local 649
Saskatoon, Saskatchewan

Neil Collins
President
IBEW Local 2067
Estevan, Saskatchewan

Marty Klyne
Independent
Business Person
Regina, Saskatchewan

Al Macatavish
Retired Vice-President
Manitoba Hydro
Winnipeg, Manitoba

V. Lynne Pearson
Dean, College of Commerce
University of Saskatchewan
Saskatoon, Saskatchewan

Patricia Quaroni
Commercial Lawyer
and Partner
Olive Waller Zinkhan
& Waller
Regina, Saskatchewan

Keith A. Rissling
Chartered Accountant
Owner and Manager
K.A. Rissling & Associates
Grasswood, Saskatchewan

Deb Schmidt
Business Consultant
Yorkton, Saskatchewan

Mel Watson
Owner
Watson Tractor
Regina, Saskatchewan

Janet Wightman
Executive Vice-President
and Chief Operating Officer
Farm Credit Canada
Regina, Saskatchewan

John Wright
President and Chief
Executive Officer
SaskPower
Regina, Saskatchewan

Neil Henneberg
Corporate Secretary
Crown Investments
Corporation of
Saskatchewan
Regina, Saskatchewan

Committees of the Board of Directors
(at December 31, 2003)

Standing Committees:

Audit and Finance Committee
V. Lynne Pearson, Chair
Marty Klyne
Al Macatavish
Keith Rissling
Janet Wightman

Environment, Occupational Health and Safety Committee
Keith Rissling, Chair
Larry Braun
Neil Collins
Mel Watson

Governance Committee
Patricia Quaroni, Chair
Neil Collins
Marty Klyne
Deb Schmidt

Human Resources/ Compensation Committee
Mel Watson, Chair
David Barnard
Patricia Quaroni
Deb Schmidt

Ad Hoc Committees:

Corporate Process Improvement Committee
David Barnard, Chair
Al Macatavish
Janet Wightman

Vision Ad Hoc Committee
Al Macatavish, Chair
Deb Schmidt
John Wright

* Profiles of the Board members can be found at saskpower.com

SaskPower Executive Team
(at December 31, 200

John Wright
President and
Chief Executive Officer

Myron Gulka-Tiechko
Vice-President
General Counsel and
Assistant Secretary

David Hughes
President and
Chief Executive Officer
SaskPower International

Bill Hyde
Vice-President
Human Resources

W. Davern Jones
Vice-President and
Chief Financial Officer
Corporate and
Financial Services

Garner Mitchell
Vice-President
Power Production

Rick Patrick
Vice-President
Planning, Environment
and Regulatory Affairs

Eric Rankin
Vice-President and
Chief Information Officer
Corporate Information
and Technology

Kelly Staudt
Vice-President
Transmission and
Distribution

Anna M. Willey
Vice-President
Communications and
Public Affairs

Patricia Youzwa
Vice-President
Customer Services
Chief Executive Officer
NorthPoint Energy Solutic

Biogas
Methane created from the decomposition of organic matter such as manure or landfill waste; can be used to power engines to generate heat and electricity.

Biomass
Energy resources derived from organic matter. These include wood, agricultural waste and other living-cell material that can be burned to produce heat energy.

Capacity
The greatest load that can be supplied by a generating unit, power station or an entire provincial grid system.

Carbon Dioxide (CO_2)
One of the greenhouse gases believed to be a cause of global warming. Carbon dioxide is produced in fossil fuel-based electricity generation.

Climate Change
Climate change refers to any change in climate over time, whether due to natural variability or as a result of human activity.

Cogeneration
The simultaneous generation of electricity and useful heat or steam. The heat could be put to use in an industrial process or to heat a facility or community. The electricity could be used by the owner or sold to SaskPower.

Demand
The rate at which electric energy is delivered at a given instant or averaged over a period of time. It is measured in kilowatts, megawatts, etc.

Distributed Generation
The process of producing electrical power on a small scale at a consumer's site.

Distribution
Process of moving electric energy at lower voltages from major substations to customers.

Electrostatic Precipitator
A device for removing particulates of ash, dust, smoke and other elements from air and gas flows.

Flare Gas
A by-product from the process of extracting solution gas from oil. When it is flared into the atmosphere, the energy is wasted.

Flyash
Fine residue resulting from the combustion of pulverized coal used in many coal-fired generating stations.

Gigawatt (GW)
A unit of bulk power; one billion watts or one million kilowatts.

Gigawatt Hour (GW.h)
A unit of bulk energy; 1,000,000 kilowatt hours.

Greenhouse Gases
Naturally occurring gases such as carbon dioxide, methane and nitrous oxide that trap heat in the earth's lower atmosphere.

GreenPower
SaskPower customers can buy EcoLogo certified renewable energy through the GreenPower program, at a monthly fee of $2.50 per 100 kilowatt-hour block. This is an additional cost over the regulated electricity rate, to cover the higher cost of generation.

Green Power Portfolio
A SaskPower strategy to meet new electricity supply requirements for the period 2003 to 2010 using environmentally friendly sources, whose operations do not add to greenhouse gas emissions. The strategy includes the development of additional wind power generation, environmentally preferred power projects, and community energy efficiency pilot projects.

ISO 14001
The ISO 14000 series is a family of environmental management standards developed by the International Organization for Standardization.

Kilowatt Hour (kW.h)
A unit of bulk energy; 1,000 watt hours. The measurement is generally used for billing residential customers.

Kyoto Protocol
An international agreement to reduce greenhouse gas emissions, ratified by the federal government in 2002.

Load
The amount of electric power or energy consumed by a particular customer or group of customers.

Megawatt (MW)
A unit of bulk power; 1,000 kilowatts. The unit generally used to describe the output of a commercial generator.

Megawatt Hour (MW.h)
A unit of bulk energy; 1,000 kilowatt hours.

Nitrogen Oxides (NOx)
Nitrogen oxides is the term used to describe the sum of nitric oxide (NO) and nitrogen dioxide (NO_2) gases. The major source of human-made NOx emissions is high temperature combustion processes, such as those occurring in automobiles and fossil fuel power plants.

OATT
Open Access Transmission Tariff. The SaskPower OATT allows eligible users to access our transmission system to transport electricity to wholesale customers within Saskatchewan or across the province to other jurisdictions. The OATT also ensures SaskPower can access the transmission systems of other utilities.

Particulates
Emissions of ash particles from the burning of fossil fuels.

Peak Load Demand or Peak Energy Demand
The maximum amount of electric power or energy consumed by a particular customer or group of customers at a precise time.

Pole Kilometres
The linear distance along a power line.

SAP
Stands for Systems, Applications and Products in Data Processing. A software solution that supports integrated business processes.

Sulphur Dioxide (SO_2)
Sulphur dioxide belongs to the family of sulphur oxide (SOx) gases. These gases are formed when fuel containing sulphur (mainly coal and oil) is burned at power plants and during industrial processes.

Switching Station
A facility containing transformers, regulators, switches and protective equipment for changing transmission voltages between transmission lines.

Transformer
A device that raises or lowers voltages.

Transmission
Process of moving electric power in bulk at higher voltages from the source of supply to distribution centres.

Volt (V)
The unit of measurement of electrical pressure or force which causes electric current to flow.

Watt (W)
The unit of measurement of electrical power.

Wood Gasification
The process of converting wood residue into a synthetic gas, can be used to power engines to generate heat and electricity.

SaskPower

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